

Banking on promotion: Employment and identity in
Scottish banking, 1850 – 1939

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Declaration of Originality

"I hereby declare that this thesis and the work reported herein was composed and originated entirely by myself in the Department of ECONOMIC AND SOCIAL HISTORY at THE UNIVERSITY OF EDINBURGH."

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Abstract

This thesis examines the relationship between employment and the social identity of bank staff in Scotland during the period 1850 - 1939. Bank staff are used as an example of what is described as the lower middle class of minor professionals and dependent non-manual employees, a then growing social stratum that has received limited academic attention. The thesis critically reassesses existing accounts by incorporating a quantitative prosopographical approach that utilises current information technology, as well as economic theories previously unused in historical research, into the analysis.

The thesis can be split into three sections. The first section (chapters 2 - 3) outlines the business of banking at the level of the sector as a whole then in relation to the Royal Bank of Scotland. This provides a context that informs the subsequent analysis of employment and identity. Both chapters depict banking in Scotland as passing through three stages distinguishable on the basis of the structure of the sector, the organisational form adopted by the banks and the geographical scope of their business, as well as the competitive arrangements reached and approaches to asset management. In addition the conduct of banking, then the internal organisation and management of the banks are outlined.

The second section of the thesis (chapters 4 - 6) examines the economics of bank employment. Chapter 4 considers the establishment then development during the first three quarters of the nineteenth century of what is identified as an internal labour market in the Royal Bank of Scotland, a concept introduced from the economics literature. It concludes the arrangements reached - incremental salaries, stable, long-term employment, internal promotion and a wide range of paternalistic benefits - were, firstly, a rational means of encouraging loyalty and effort in circumstances where opportunistic behaviour was potentially costly, but monitoring expensive and imperfect. And secondly, a means of securing then facilitating the exercise of managerial authority. Chapter 5 proceeds to discuss how Royal Bank staff fared up until World War I. It argues the standard of living experienced by bank staff and clerks more broadly can in general be viewed in more positive terms than has previously been thought. Chapter 6 then considers a key trend identified in the preceding two chapters; a growing majority of recruits left Scottish banking on or shortly after completing an apprenticeship. It identifies this trend as integral to Scottish bank employment, then establishes where staff went and why, arguing the prospect of higher salaries and better promotion prospects pulled a majority overseas.

The third section of the thesis (chapters 6 - 8) analyses how the subjects of the thesis understood and related to society as a whole. Chapter 6 continues by outlining the place of emigration and the associated consciousness of empire in the psyche of Scottish bank staff, arguing these formed a significant presence that supported an often critical understanding of Scottish society. Chapters 7 and 8 then consider the social meaning attached to institutions initiated by staff to act upon the internal labour markets operated throughout Scottish banking. Chapter 7 uses professionalisation; the origins, then development of the Institute of Bankers in Scotland, to examine how bank staff saw themselves and were seen by others in society. In several key respects it refutes the hypothesis that the social and economic life of clerks was determined by an acute status consciousness, arguing instead that status devoid of any material foundation was of limited importance. Moreover, it is claimed bank staff were never as intent on distancing themselves from those they regarded as socially inferior, or attaching themselves to those they regarded as socially superior as has been assumed for clerks in general. Chapter 8 then considers the argument that clerical trade unionism was constrained by status concerns. This is found to be of limited explanatory power. Additional factors, including the geographical and hierarchical dispersal of staff, and routine career mobility, are found to have been of significance. However, the vigorous opposition of senior bank officials and inability of trade unionists to overcome this and the cultivated belief that trade unionism was incompatible with career success and the professional identity of bank employment, are identified as the most significant influences upon bank trade unionism.

The thesis ends by considering the issue of social identity directly concluding that of bank staff was shaped above all else by their employment. Professionalisation and trade unionism are identified as attempts at forging new, independent ways of being known. Both were unsuccessful. Instead bank staff remained dependent employees, encouraged by paternalistic benefits and obliged by rules to live social, political and economic lives that supported the business of banking. Thus, in the absence of any plausible alternatives or salient external foci, the social identity of the subjects of this thesis was defined by the institutions they worked for; they became of the banks that employed them, rather than for themselves.

For George Dorward

Contents

List of figures	ii
Abbreviations	iii
List of tables	iv
Acknowledgements	vi
1. Introduction	1
2. The business of banking in Scotland, 1850 – 1939	25
3. The Royal Bank of Scotland, 1850-1939	78
4. Employment at the Royal Bank of Scotland, 1800-1873	116
5. Employment in the Royal Bank of Scotland and clerical living standards, 1873 – 1914	168
6. Banking, emigration and empire, 1850 – 1914	193
7. Status and the professionalisation of banking in Scotland, 1875-1914	227
8. Trade unionism, the professional worker and the Scottish bankers Association, 1918-1939	276
9. Conclusions	329
Appendices	355
Bibliography	375

Figures

3.1	Annual Profits earned at the main Dundee and Glasgow offices and at the London office of the Royal Bank of Scotland, 1902-1917	102
3.2	Royal Bank of Scotland Lending to Government, 1911 – 1938	106
5.1	Annual Recruitment to the Royal Bank of Scotland, 1873 – 1914	173
5.2	The career duration of Royal Bank of Scotland staff recruited during the period 1873 - 1900	174
5.3	Career duration of Royal Bank of Scotland staff recruited in 1880, 1890 and 1900	176
5.4	The average time taken from entering the service of Royal Bank to first becoming an agent or joint-agent, c. 1873 – 1909	178
7.1	Membership of the Institute of Bankers in Scotland, 1876-1914	244
8.1	Annual recruitment at the Royal Bank of Scotland, 1900 – 1936	292
8.2	Annual earnings of 4 subjects who entered the Royal Bank of Scotland in 1876, 1886, 1896 and 1906, c. 1900 – 1937	295
8.3	Annual earnings of 4 subjects who entered Royal Bank in 1876, 1886, 1896 and 1906 adjusted using the Ministry of Labour price index, c. 1914 – 1937	295
8.4	The career duration of staff who entered the Royal Bank of Scotland during the years 19021 – 1925	319
A1	Model of the basic data-structure used in the analysis of careers in the Royal Bank of Scotland	358

Abbreviations

BOG	Bank Officers Guild
IBOA	Irish Bank Officers Association
ILM	Internal labour market
IOB	Institute of Bankers in Scotland
RB	the Royal Bank of Scotland
RBM	minute books of the Royal Bank of Scotland
SBA	the Scottish Bankers Association
SBLA	the Scottish Bankers' Literary Association

Tables

1.1	The growth of clerical Labour in England and Wales, 1851 – 1931	2
2.1	The density of bank offices in Scotland, England and Wales, 1850 -1937	40
2.2	Liabilities of the Scottish Banks 1865-1939	46
2.3	The Assets of the Scottish Banks 1865-1939	49
2.4	Deposits and competition at Royal Bank branches in the Scottish borders, 1858-1872	64
2.5	The profitability of Scottish banking, 1865 – 1939	71
2.6	Sectoral distribution of English and Scottish bank lending, 1929 –1930	72
3.1	Lending Branches and their debts to the network 1858-1872	87
3.2	Selected Liabilities of the Royal Bank of Scotland 1865-1939	92
3.3	Selected assets of the Royal Bank of Scotland 1865-1939	94
4.1	Entry period of clerks working at the head office of the Royal Bank of Scotland in 1857, 1859 and 1867	147
4.2	The structure of agents and accountants pay at the Royal Bank of Scotland c.1858 to 1870	149
4.3	The cost of running two branches in 1856 and 1857	150
4.4	The structure of agents and accountants salaries in 1873	158
5.1	The proportion of clerical recruits to the Royal Bank of Scotland who became an agent or a senior official c. 1873-1897	175
5.2	The proportion of clerical recruits to the Royal Bank	

	of Scotland who stayed at least 10 years and became an Agent or Senior official c. 1873-1897	175
5.3	The cost of staffing the branches of the Royal Bank of Scotland, 1898-1911	185
5.4	The life-time earnings curve of Royal Bank staff, 1869-1916	188
5.5	Percentage of Royal Bank staff recruited in the years 1859-1861 and 1869-1871 who received a salary of at least £160	189
6.1	Last known employment location of Aberdeen Grammar School pupils who entered and left Scottish banking, 1860-1909	199
6.2	Last known employer of Aberdeen Grammar School Pupils who entered Scottish banking, 1860-1909	199
8.1	Time taken from entering the service of Royal Bank to first becoming an agent or joint-agent, c.1900 – 1939	284
8.2	The composition of the branch staff of the Royal Bank of Scotland, 1899-1925	285
8.3	Votes in favour of the SBA strike, as of the 6th June 1920 and exclusive of agents	306
A2.1	The results of linking successive establishment books to the staff books (of the Royal Bank of Scotland)	366
A2.2	The % of Royal Bank recruits listed in the staff books who passed an examination set by the Institute of Bankers in Scotland, 1876-1898	368
A2.3a	The average time taken from entering the Royal Bank of Scotland to passing as an Associate of the Institute of Bankers in Scotland	368
A2.3b	The average time taken from entering the Royal Bank of Scotland to passing as an Associate of the Institute of Bankers in Scotland	368

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Chapter 1: Introduction

"With his features of clerical cut,
And his brow so grim
And his mouth so prim
And his conversation, so nicely
Restricted to What Precisely
And if and Perhaps and But ... ", T. S. Eliot, *Collected poems, 1909 – 1939*,
(1939)

"Remember that these clerks and typists who look so unpleasantly like ants
as they stream over London Bridge at the rush hour, these clerks whom you
in your superiority despise – they too are human – they too are romantic"
Review of Angel Pavement, George Orwell, *An Age Like this: The collected
essays, journalism and letters of George Orwell volume I*, (1968)

1.1 Social history and the lower middle class

Until recently the middle classes as a whole were a neglected subject of historical enquiry. A number of important studies have done much to rectify this omission. Morris, for example, has outlined the formation of an elite led middle class in the first half of the nineteenth century, while Trainor has examined how this elite subsequently exercised its authority¹. However, this interest has rarely extended to include those lesser figures, the small businessmen, dependent white-collar employees and minor professionals, who made up the bulk of the middle classes².

This is despite the growth in their number and growing use of the term lower middle class to describe them and their world from the 1870s³. Table 1.1 below shows how rapidly both male and female clerical employment increased throughout the period of this thesis in

¹ R. J. Morris, *Class, Sect and Party :The Making of the British Middle Class, Leeds 1820-1850*, (Manchester: Manchester University Press, 1990); R. Trainor, *Black Country élites : the exercise of authority in an industrialized area, 1830-1900*, (Oxford: Clarendon Press, 1993)

² S. Nenadic, "Businessmen, the urban middle classes, and the 'dominance' of the manufacturers in nineteenth century Britain", *Economic History Review*, XLIV, (1991), pp. 69-73

³ G. Crossick, "From gentlemen to the residuum: languages of social description in Victorian Britain" in P. J. Corfield (ed), *Language, History and Class*, (Oxford: Basil Blackwell, 1991), pp. 173-174

Table 1.1. *The Growth of Clerical Labour in England and Wales, 1851 - 1931*⁴

Year	Total Number of clerks (000s)			ALL clerks (000s)	
	Males	Females	Total	Public service	Private Sector
1851	93	2	95	27	68
1881	294	14	318	45	273
1891	381	33	414	64	350
1901	530	83	613	94	519
1911	677	166	843	157	686
1921	792	502	1,294	268	1,026
1931	882	583	1,465	-	-

Source: F. D. Klingender, *The Condition of Clerical Labour in Britain* (1935), appendix II, p. 108

England and Wales. Clerical employment also grew in Scotland, so much so in the 1931 census commerce and finance formed the largest single source of employment, accounting for 16.36 per cent of the workforce or more than mining, quarrying, textiles, chemicals, gas, water, electricity, bricks and pottery combined⁵. Despite this numerical significance Crossick suggests the lower middle class has received little attention because it did not form a significant political presence⁶.

Without the wealth and authority of the capitalist or collective might of the trade unionist, it was the also ran in the British polity, able to vote yet without a distinctive voice. In light of this it seems understandable that historians have focused on the leaders and ignored the led. Yet a lack of presence political or otherwise has not prevented a substantial literature developing on the history of women, indeed, the cultural, political and economic subordination of women is a key theme in social history.

⁴ The figures for clerical employment are derived from the following census categories: national and local government officials, law clerks, bankers, insurance clerks, accountants, railway clerks and commercial clerks. Apart from 1851

⁵ C. W. Munn, "Financial institutions and the Scottish financial centre in the inter-war years", in S. J. Connolly et al (eds) *Conflict, Identity and Economic Development: Ireland and Scotland, 1600 - 1939*, (Preston: Carnegie Publishing, 1995) p.231

⁶ G. Crossick, 'The Emergence of the Lower Middle Class in Britain: A Discussion' in G. Crossick (ed), *The Lower Middle Class in Britain*, (London: Croom Helm, 1977)

Rather, the limited attention paid by historians to the lower middle class is a consequence of how social history has developed in Britain. Historians are naturally drawn to those who shouted the loudest and unavoidably to those who left behind records. Often, though not always, these were the wealthy and the powerful. For this reason the neglect of the lower middle class appears understandable. However, it is more than a matter of sources, it is also because the clerk in particular is incompatible with a mode of history Weeks describes as "History as Exhortation"⁷. Above all this has been influenced by E. P. Thompson's *The Making of the English Working Class*, a history to "rescue the poor stockinger, the Luddite cropper, the 'obsolete' hand-loom weaver, the 'utopian' artisan, and even the deluded follower of Joanna Southcott, from the enormous condescension of posterity"⁸. This laudable mission has influenced generations of historians whose recovery of lost lives has broadened the scope of academic history (though occasionally producing histories preoccupied with the tragic and conflict, whereas compromise and consensus often formed the more usual course of events⁹). The lower middle class is incompatible with this mode of history largely because their lives have been deemed insufficiently fraught or tragic¹⁰. The historian on a mission has little time for the subtle difficulties of those whose greatest disaster was often no more than the failure to receive a hoped for promotion. Such experiences as well as the social origins, aspirations and working lives of this stratum are uncomfortably close to those of present day academics,

⁷ J. Weeks, "Uses and Abuses of Michel Foucault", in L. Appignanesi (ed) *Ideas from France: The Legacy of French Theory*, (London: Free Association Books, 1989),

⁸ E. P. Thompson, *The Making of the English Working Class*, (London: Penguin, 1980), p. 12

⁹ P. Joyce, 'Work', in F. M. L. Thompson (ed), *The Cambridge Social History of Britain, 1750 – 1950*, vol. 2, (Cambridge: Cambridge University Press, 1990); R. J. Morris, *Class and Class Consciousness in the Industrial Revolution*, (London: Macmillan, 1979), p. 30

¹⁰ This refusal to take the concerns of clerks seriously is arguably a distinctively British trait. Compare for example the seriousness and sympathetic attention paid to minor officials in Franz Kafka's novels with the pathetic figure of the insurance clerk Leonard Bast in E. M. Forster's *Howards End*

so much so Mayer suggests this is another reason why historians have chosen to neglect the lower middle class¹¹.

Before proceeding any further it is necessary to clarify what "lower middle class" has been taken to mean. Within it a line has been drawn between an old lower middle class of small businessmen and shopkeepers and a new lower middle class of dependent white-collar employees. It is the latter category due to its growth that concerns us here. Despite its apparent precision, the term lower middle class mainly serves as a repository for those deemed too different in their way of life to be labelled working class and not quite affluent enough to rank alongside the middle classes proper. Hence, Best and Perkin use the income tax threshold of £150 to define the upper limits of the lower middle class during the third quarter of the nineteenth century, an approach that threatens to obscure more than it reveals¹². By this definition lower middle class individuals were only ever those of modest means. Anything more would catapult them up into the ranks of the middle class proper, a form of social mobility that derives more from categorisation than the experience of those involved. Moreover, the immobile are by definition (and at best) the average and the ordinary. In other words used carelessly lower middle class is a label that can prejudice more than it assists social analysis.

Prejudice is an important part of how contemporaries understood the lower middle class. In nineteenth century West Bromwich clubs dominated by clerks were the ones working men avoided, while Pelling notes there was little working class support for

¹¹ A. J. Mayer, "The Lower Middle Class as Historical Problem", *Journal of Modern History*, 47, (1975), p. 409; For example Sheridan describes the typical academic career in the following terms "You spend your life trying desperately to say something new, but not so new as to lessen your chances of a Chair. You have to publish to get promoted ... You have a salary with tenure and the publisher is happy if the machine ticks over. Your book is published in hardback at £19.50. - the book is called *The Sociology of Deviance*. The book appears on colleagues' reading-lists and is bought by students. The circle of mutual self-interest is complete and our sociologist of deviance continues in his totally undeviant way, safe in the arms of his support-network" A. Sheridan, "The Death of the Author", in L. Appignanesi (ed), op. cit. , p. 44

¹² G. Best, *Mid-Victorian Britain 1851 - 75*, (London: Fontana Press, 1971), pp. 99 - 100; H. Perkin, *The Rise of Professional Society*, (London: Routledge, 1989), pp. 78 - 79

the Liberal welfare reforms partly because the intended recipients did not want the accompanying intrusion of lower middle class officials into their lives¹³. Yet there were unacknowledged parallels between the two groups. In nineteenth century Scotland the first steps taken by organised labour into local politics were in support of measures to reduce the rates¹⁴. However, it was only those lower middle class individuals who called for similar changes that contemporaries labelled "dirty brigades"¹⁵.

Similarly in labour history when "history as exhortation" has combined with the study of politics, neglect has often given way to outright hostility. Marx dismissed the lower middle class because they were "conservative. Nay more, they are reactionary, for they try to roll back the wheel of history"¹⁶. An uncomfortable mix of Marxism and elitism has produced similar sentiments amongst historians, largely because until recently the Marxist, the neo-Marxist and the anti-Marxist wrote the social history of class in Britain¹⁷. Those lower middle class individuals who overcame their supposedly reactionary proclivities to participate in socialist politics have either been depicted as honorary proletarians or as an unwelcome, distorting presence. The latter is the more usual. For instance, in a classic study Hobsbawm identified the Fabian Society as an organisation dominated by lower middle class individuals, then chided it largely on the grounds that it was too

¹³ R. Trainor, op. cit., p. 57; H. Pelling, *Popular politics and society in late Victorian Britain: essays*, (London: Macmillan, 1968)

¹⁴ W. H. Fraser, in G. Gordon (ed), 'Labour and the changing city', in G. Gordon (ed), *Perspectives of the Scottish City*, (Aberdeen: Aberdeen University Press, 1985)

¹⁵ F. M. L. Thompson, *The Rise of Respectable Society: A Social History of Victorian Britain, 1830-1900*, (London: Fontana Press, 1988)

¹⁶ Quoted in M. Savage, 'Career mobility and class formation: British banking workers and the lower middle classes' in A. Miles and D. Vincent, (eds), *Building European Society*, (Manchester: Manchester University Press, 1993); see also K. Marx and F. Engels, Manifesto of the Communist Party, in L. S. Feuer, (ed), *Marx and Engels: Basic Writings on Politics and Philosophy*, (New York: Anchor Books, 1959); and R. Q. Gray, *The Aristocracy of Labour in Nineteenth-century Britain c. 1850 - 1914*, (London: Macmillan, 1981)

¹⁷ R. J. Morris, (1979)

successful in publicising the wrong type of socialism¹⁸. Similarly, Knox concludes socialism in Scotland between the wars was corrupted by unspecified petty bourgeois influences; "Scottish labour lost its former idealistic drive, its sense of historical mission and its distinctiveness and has found no substitute since"¹⁹. Alternatively these accounts reveal lower middle class individuals were a significant though unappreciated presence, and, contra Crossick, capable of influencing policies and platforms. In keeping with this, Stedman-Jones notes the Edwardian educational programme of the London School Board was disproportionately geared towards meeting the demands of clerical families²⁰.

Nevertheless, this thesis was originally intended to be a work of labour history that focused upon trade unionism. Somewhat naively I envisaged clear lines being drawn between capital and labour then battle commencing. The element of originality would be the fact that those involved were clerks not working men. To be a trade unionist more often than not meant to be a socialist and trade unions provide perhaps the purest expression of working class consciousness. Or so it once seemed. The inadequacies of this approach and associated assumptions soon became apparent as even amongst the "traditional working class" membership and voting figures reveal trade unionism and socialism although important remained minority pursuits²¹.

¹⁸ E. J. Hobsbawm, "The Fabians Reconsidered" in E. J. Hobsbawm (ed), *Labouring Men*, (London: Weidenfield and Nicolson, 1964)

¹⁹ That the labour leaders studied by Knox included the three former teachers John MacLean, the revolutionary Marxist, James Maxton, who led the disaffiliation of the Independent Labour Party from the Labour Party in 1933, and Emrys Hughes, a leading ILP member who chose to remain with the Labour party after disaffiliation, is one indication social structure is of limited worth when attempting to account for the different varieties of Scottish socialism. W. Knox, (ed) *Scottish Labour Leaders 1918-1939*, (Edinburgh: Mainstream, 1984)

²⁰ G. Stedman-Jones, "Working-class culture and working -class politics in London, 1870 - 1900: Notes on the remaking of a working class", in G. Stedman-Jones, (ed), *Languages of class: studies in English working class history, 1832 - 1982*, (Cambridge: Cambridge University Press, 1983), p. 228

²¹ M. Savage and A. Miles, *The Remaking of the Working Class, 1840 - 1940*, (London: Routledge, 1994), pp. 1-17 & pp. 76-77; A. H. Halsey, *Change in British Society from 1900 to the present day*, 4th ed., (Oxford: Oxford University Press, 1995), p. 90

At a more fundamental level the linguistic turn and the associated interest in postmodernism in the social sciences has called the historical significance of socialism and of class itself into question. Issues of identity are central to postmodernism, which depicts them as multiple, mobile, fragmentary and contradictory, privileging none over any other²². Attention has been drawn to other ways of knowing and the determinism derived from economic and social structures existing outside discourse, that, however qualified, is integral to class analysis has been challenged. Patrick Joyce in particular has examined how the consciousness of a class - meaning a social collective defined by its common relationship to the means of production - is not necessarily the consciousness of class²³. Historians have rightly become more circumspect about using class to explain social and political action and class is accordingly used in this thesis for the most part as convenient shorthand for already familiar social groupings.

But other ways of knowing pose other problems. As one of the leading lights of the linguistic turn has recently written:

"It would be foolish to deny that there are processes in the past which are not encompassed - or at least sufficiently or adequately encompassed by the languages and discourses of the past. Urbanisation and population change would be good examples of processes to diffuse to be considered the product of any particular set of discursively framed intentions"²⁴.

This acknowledges a role for the material, but what this is remains unclear, a problem a focus upon language or attempts at theorising the economic out of existence merely avoid²⁵. Conscious of such limitations,

²² C. Reed, 'Postmodernism and the Art of Identity', in N. Stangos, (ed), *Concepts of Modern Art*, 3rd ed., (London: Thames and Hudson, 1994)

²³ P. Joyce, 'A people and a class: industrial workers and the social order in nineteenth-century England', in M. Bush (ed), *Social Orders and Social Classes in Europe since 1500: Studies in Social Stratification*, (1992), *Visions of the People: Industrial England and the Question of Class 1840 - 1914*, (London: Longman, 1991), and *Democratic Subjects: The Self and the Social in Nineteenth Century England*, (Cambridge: Cambridge University Press, 1994)

²⁴ G. Stedman Jones, "The Determinist Fix: Some Obstacles to the Further Development of the Linguistic Approach to History in the 1990s", *History Workshop Journal*, (1996), no. 42, p. 27

²⁵ see for example W. H. Sewell, "A Post Materialist Rhetoric for Labour History", in P. Joyce (ed.) *Class*, (Oxford: Oxford University Press, 1995), pp. 174 - 180

Savage and Miles argue it is necessary to move beyond the formal structures of language and concentrate instead upon the concrete social situations that mediate its production and reception²⁶. This is a useful corrective taken from an approach that argues class in a sophisticated and qualified form still matters (though without clarifying why more so than other ways of knowing). Yet those who dismiss and those seeking to reclaim class analysis remain attached to studying much the same actors and events as previous generations of historians, seemingly content to reinvent already familiar wheels.

Instead this thesis is concerned with the social identity of bank staff, who provide a key example of the lower middle class. Social identity is how people were known and knew themselves²⁷. It is an inescapable attribute of social existence and one that due to its generality avoids both the overly academic strictures evident in the linguistic turn and those assumptions about the nature and conduct of social relations inherent in class analysis. Social identities are presented and negotiated, they evolve in given situations; that considered in this thesis is the workplace. As banking has provided a recurring example of clerical employment in historical and sociological accounts it is an appropriate vehicle for this necessary task²⁸.

Using the experience of work to consider social identity is a well-trodden path in the social sciences. In his seminal article "Sources of Variation in Working-Class Images of Society" the Neo-Weberian David Lockwood provides a sophisticated means of linking the experience of work to broader forms of political and social awareness²⁹. Work matters, yet its consequences are not always so apparent. Forms of

²⁶ M. Savage and A. Miles, *The Remaking of the British Working Class, 1840-1940*, (London: Routledge, 1994), p. 18

²⁷ R. Jenkins, *Social Identity*, (London: Routledge, 1996)

²⁸ G. Anderson, *Victorian Clerks*, (Manchester: Manchester University Press, 1976).; D.

Lockwood, *The Blackcoated Worker*, 2nd ed. (Oxford: Clarendon Press, 1989); S. Halford, M. Savage and A. Witz, *Gender, Careers and Organisation*, (London: Macmillan, 1996)

²⁹ D. Lockwood, "Sources of Variation in Working-Class Images of Society", in A. Giddens and D. Held (eds.) *Classes, Power and Conflict*, (London: Macmillan, 1982)

consciousness and behaviour apparent in one environment need not be of consequence elsewhere, a point Bailey has illustrated in an evocative study of working class respectability using Goffman's interactionist sociology to show how actors adapted to the situations and company they found themselves in³⁰. While bearing this qualification in mind, as Grint makes clear work remains important:

"Work occupies a substantial proportion of most people's lives and has often been taken as a symbol of personal value: work provides status, economic reward, a demonstration of religious faith and a means to realize self-potential".³¹

The position adopted here is that in complex, contingent ways work has the capacity to constrain, shape and on occasion dominate, but need not entirely determine social identity. Thus, work provides an important and accessible, albeit partial perspective. When dealing with the history of subjects who have received scant academic attention it provides a beginning rather than an end.

1.2 An uneasy stratum? A history of the lower middle class in Britain

The neglect of the lower middle classes has not been absolute, they feature in general social histories and dedicated studies have occasionally appeared. In these attention has been paid to the apparent dissonance between the economic position of clerks and their social behaviour. Clerks were proletarians who depended on selling their labour power to secure the wherewithal to live. In exchange they often received rewards no greater than those paid to men in the upper reaches of the "traditional working class". Yet clerks are regarded as having strove to distance themselves from the working class, choosing instead to ape the politics, dress and values of more elevated others; in other words they aspired to live a middle class life on a working class

³⁰ The original 1979 *Journal of Social History* Article has recently been republished as 'A role analysis of working-class respectability', in P. Bailey (ed), *Popular Culture and Performance in the Victorian City*, (Cambridge: Cambridge University Press, 1998)

³¹ K. Grint, *The Sociology of Work: An Introduction*, (Cambridge: Polity Press, 1991), p. 1

wage. The following section sets out then critically examines this account, identifying the key issues to be addressed in this thesis.

Towards the end of the nineteenth century the lower middle class emerged as a distinctive social group, one that most obviously dressed differently, but also played, read, ate, spoke and bred differently as well. Comparing Paul Thompson's sketch of an Edwardian clerk and his family with Hoggart's account of "traditional working class" life illustrates this well³². The clerk's small family was brought up in an environment concerned above all else with establishing proper behaviour. The son was barred from playing in the street. Instead he received an introduction to culture through piano and violin tuition. His parents shared in this isolation, rejecting the surrounding community central to working class life to form a social life rooted in the home and a local Methodist chapel. The pub, the continued sanctuary of the working class man, was noticeably absent, indeed the clerk's family held a dread of alcohol and its effects. At the clerk's dining table the strict observance of manners was insisted upon and the food, supplemented whenever possible by home grown produce constituted a routine frugality in contrast to the treats - the "bit of what you fancy" - that broke the monotony of the working class diet.

This cultural distinctiveness became more pronounced over time. Gray has charted the disengagement of the lower middle class from the upper reaches of the working class in late-nineteenth century Edinburgh³³. Whereas in the mid-Victorian period skilled workers and clerks were members of the same golf clubs, gardening societies and mechanics' libraries, by 1891 none of these bodies had a membership as occupationally mixed as it had been in 1871. Robert Roberts noted this isolation and accompanying forms of behaviour and observed it gave the lower middle class a distinctive place in early twentieth century

³² P. Thompson, *The Edwardians*, (1975), pp. 99-106; R. Hoggart, *The Uses of Literacy*, (London: Penguin, 1957), pp. 72 - 94

Salford³⁴. Occupational segregation accompanied this growing cultural divide. Miles argues there were much firmer boundaries between working and middle class employment after than before 1900³⁵. When working class children did eventually enter middle class work in substantial numbers during the first half of the twentieth century it was more a function of the expansion of the relative and absolute number of such occupations than a breakdown in existing social barriers and was typically confined to lower level forms of white-collar employment.

The physical manifestation of this separation, though it occurred at different rates and to varying degrees throughout Britain, was the movement of the lower middle classes out into the fringes of urban centres. Along the London road in Manchester and in Hackney, Islington and Holloway in London clerks began occupying a mass suburbia, living in relatively homogeneous forms of housing³⁶. After the First World War lower middle class housing gained a distinctive style when bungalows began being built in locations that embodied the social position of their occupants³⁷. On the outskirts of Glasgow bungalows filled the gap between the substantial villas that made up the wealthy suburb of Bearsden and the tenements and council estates that dominated the nearby working class district of Maryhill. Thus, what largely began as a product of the Victorian desire to categorise social phenomena formed an increasingly distinctive social stratum on the basis of its culture, lifestyle, location and values.

³³ R. Gray, *The Labour Aristocracy in Victorian Edinburgh*, (Oxford: Clarendon Press, 1976), pp. 106-109

³⁴ R. Roberts, *The Classic Slum: Salford Life in the First Quarter of the Century*, (London: Penguin, 1971), pp. 4-6

³⁵ M. Savage and A. Miles, op. cit., p. 30; D. Baines and P. Johnson, "In search of the 'traditional' working class: social mobility and occupational continuity in interwar London", *Economic History Review*, LII, (1999), pp. 692 - 713

³⁶ F. M. L. Thompson, op. cit., pp. 172-175; M. Gaskell, "Housing and the Lower Middle Class", in G. Crossick (ed), p. 163

³⁷ R. Rodgers, "Urbanisation in Twentieth-Century Scotland", in T. M. Devine and R. J. Finlay, (eds), *Scotland in the 20th Century*, (Edinburgh: Edinburgh University Press, 1996), pp. 141 - 143

An important exception to the overall neglect of the lower middle class is Anderson's study of Victorian Clerks, which argues the culture of clerks was shaped by their declining economic fortunes³⁸. The rewards of clerical employment were never great to begin with, however, from the 1870s clerical pay declined due to four factors, which primarily served to increase the supply of labour ahead of demand. First, greater access to secondary education following successive education acts equipped more youths with the basic literacy and numeracy skills necessary for clerical employment. Second, women became an accepted source of clerical labour and were used in ever-greater numbers to perform routine tasks. Third, the labour market was swollen by the arrival of immigrant clerks who competed with their British counterparts. Finally, whereas clerks had previously left their employers to establish small, independent concerns, concentration and reduced profit margins cut off this once important escape route. More recently Guerriero Wilson has applied this argument to Edwardian Glasgow, claiming the "ladder of success" once available to clerks disappeared³⁹.

In these accounts clerks form an increasingly uneasy stratum whose declining fortunes provoked a "status panic"; a tendency to seize upon minute cultural distinctions used to substantiate claims to a superior social status that lacked economic foundation⁴⁰. Driving this behaviour was a desire to remain apart from the working class due to fear, dislike and what Lockwood in a classic study described as an acute status consciousness, wherein status was prized more highly than economic rewards⁴¹. Accompanying it was a particular world view dominated by a strong, moral commitment to the symbols and institutions of the existing order, a perception of society as meritocratic

³⁸ G. Anderson, *ibid.*, 'The Social Economy of Late-Victorian Clerks', in G. Crossick (ed.)

³⁹ R. Guerriero Wilson, 'Office Workers, Business Elites and the Disappearance of the 'Ladder of Success' in Edwardian Glasgow', *Scottish Economic and Social History*, (1999), 19, pp. 55-75

⁴⁰ C. Wright Mills, *White Collar*, (New York: Oxford University Press, 1956), pp. 239 - 258

accompanied by an attachment to individual endeavour and a belief in the innate worth of education⁴².

Variations of this "status panic" argument have been used to explain the social and political behaviour of the lower middle class in Britain and abroad. One argument is that as Marx concluded the lower middle class formed a conservative influence opposed to any changes threatening to their status and social position, hence the well-known links between the lower middle class and support for conservative politics⁴³. Yet in a study of German politics Hamilton has shown the assumed connection between clerks, or in the case of Germany the *Mittelstand*, and reactionary politics is unfounded as National Socialism appealed most to what he loosely describes as the upper classes⁴⁴. Closer to home, besides the Fabian Society the example of the Left Book Club, the largest organisation to work in support of a popular front against Fascism in 1930s Britain, reveals the lower middle class was arguably the standard bearer of progressive politics. According to one contemporary observer 75 per cent of the Club's members were white-collar workers, for instance, one Essex group consisted of a draughtsman, a doctor, a printer, a bank clerk, a dental mechanic, a road mender, a teacher, a painter and several clerks⁴⁵. Clearly, the politics of the lower middle class were never entirely reactionary, nor was there some reflex link between clerks, "status panic" and right-wing politics. Therefore it is reasonable to question the explanatory power of "status panic" more broadly in relation to the lifestyle decisions and values of the lower middle class.

Moreover, on closer examination much of what is known about the economic experience of clerks in Britain can be questioned, with Anderson's account of economic distress open to various challenges. To

⁴¹ D. Lockwood (1989)

⁴² A. Mayer, op. cit.; B. Waites, op. cit., pp. 240-241

⁴³ M. Savage, op. cit., p. 196

⁴⁴ R. Hamilton, *Who Voted For Hitler ?*, (1982)

begin with (as Anderson originally acknowledged) the threat of foreign clerks was more symbolic than real⁴⁶. Then there is his use as evidence of the late-nineteenth century 'boy labour' problem - youths employed without training in offices and warehouses to perform routine work and frequently let go on reaching sixteen⁴⁷. Although contemporary investigations in 1904 and 1909 revealed a majority of Liverpool post office messengers subsequently drifted into low paid, low skill work, messengers were not clerks therefore their experiences while valid in themselves are irrelevant⁴⁸. This distinction is based on the fact clerks frequently pursued formal careers during the course of their working lives, routinely moving through a succession of hierarchically arranged positions, exercising greater authority and earning progressively higher rewards.

The significance of this distinctive occupational experience becomes clear when we consider other ways in which the changing structure of industry affected clerical employment. The suggestion by Anderson that concentration meant clerks were no longer able to establish their own concerns overemphasises the decline of small business. More importantly, it only captures half of a broader transition. In Westergaard and Resler's account as one door closed another opened; "as the scale and complexity of organisation in both the public and private sector grew ... promotion up the rungs of bureaucratic hierarchies gradually displaced entrepreneurial activity"⁴⁹. In other words the ladder of success did not disappear, it changed as middle management within a large organisation became an alternative to command of some small concern.

⁴⁵ S. Samuels, "The Left Book Club", *Journal of Contemporary History*, Vol. 1, No. 2, (1966), pp. 65 - 86

⁴⁶ G. Anderson, (1976), p. 64

⁴⁷ *ibid.*, pp. 53-55

⁴⁸ *ibid.*, p. 55

⁴⁹ J. Westergaard and N. Resler, *Class in a Capitalist Society*, (London: Heinemann, 1975) p. 326

However, Westergaard and Resler along with Lockwood suggest promotion opportunities within the substantial bureaucratic organisations that developed in Britain became rarer⁵⁰. But, studies of employment in the post office, the civil service and banking indicate male promotion prospects were preserved and even enhanced by the employment of women⁵¹. Typically, men monopolised the most desirable positions, received higher salaries, held greater responsibility and were promoted further and more rapidly (although this as with the impact of female clerical employment in general is qualified by the fact, as indicated in table 1.1, female clerical employment did not become significant until the 1890s)⁵². Thus, in the absence of any macro-studies of clerical pay or career prospects there are grounds for being sceptical about the assumption clerical fortunes declined after 1870. Certainly Hosgood in an examination of the work culture of commercial travellers in Edwardian Britain found little sign of insecurity⁵³. Without such evidence the "status panic" thesis becomes untenable.

Then there is the relationship between the lower middle class and the middle class proper. In keeping with the status panic argument Gray and F. M. L. Thompson suggest as the economic fortunes of the lower middle class declined they adopted an archaic form of those values they understood their social superiors adhered to⁵⁴. The reasons for this were straightforward; by aping the more affluent and socially elevated clerks hoped to distance themselves from the working classes. Due to the paucity of available research we simply do not know if this

⁵⁰ *ibid.*, p. 325

⁵¹ K. Grint, *op. cit.*, pp. 83 - 84; A. Witz, "Gender and service-class formation", in T. Butler and M. Savage (eds), *Social change and the middle classes*, (London: UCL Press, 1995), pp. 51 - 52

⁵² For a recent discussion of the relationship between women and male careers see A. Witz, *ibid.*

⁵³ C. Hosgood. 'The "Knights of the Road": Commercial Travellers and the Culture of the Commercial Room in Late-Victorian and Edwardian England', *Victorian Studies*, (1994), 37, pp. 519-545

⁵⁴ F. M. L. Thompson, *op. cit.*; R. Q. Gray, 'Religion, Culture and Social Class in Late Nineteenth and Early Twentieth Century Edinburgh', in G. Crossick (ed)

was the case, but we can note imitation had limits. Seemingly oblivious to the sensibilities of often-alooof observers, clerks in the comfort of their own homes made their own amusements. As a bemused Hammersmith vicar explained those living in his parish were

"quite quiet, respectable and inoffensive, but on warm evenings they will sit at their open windows in their shirt-sleeves, drinking beer out of a pot, and though they do it quietly it is not what I am accustomed to"⁵⁵.

The charge of imitation also presupposes it was possible to chose. The following exchange involving Dickens' Bob Cratchitt suggests otherwise:

"The clerk in the tank involuntarily applauded: becoming immediately sensible of the impropriety, he poked the fire, and extinguished the last frail spark forever. 'Let me hear another sound from *you* ' said Scrooge 'and you'll keep your Christmas by losing your situation'"⁵⁶.

In this exchange the employer figures as an active and influential presence in the lives of his subordinates, defining what was and was not acceptable behaviour. In fact as in fiction masters often formed a near omnipotent presence. Lockwood quotes one master who explained:

"Clerks, like officers in the army and navy, or like clergymen, have a position as well as a salary. They pride themselves on that position. In virtue thereof they indulge in much liberty of action, which other classes of servants do not enjoy. They call themselves their masters' equals, and demand recognition as such. And in dress, assumptions, everything within their power, they follow this up, affording themselves much gratification, and realizing substantial advantage from the nature of their vassalage.

Now, sir, let them consider this as part of their remuneration"⁵⁷.

This provides *prima facie* support for arguments concerning the importance of status. It also conveys an overbearing refusal to provide any other rewards. Status may well have had some appeal, but on occasion little else was on offer. Moreover, in this instance the observer not the observed attached value to status without economic foundation.

⁵⁵ H. Perkin, *op. cit.*, p. 96

⁵⁶ C. Dickens, *A Christmas Carol*, (London: Penguin edition, 1984) p. 15

However, the problem of neglect is compounded by the tendency of the lower middle class to maintain a polite silence. For instance, Nenadic cites the failure of the City of Glasgow Bank in 1878 as an important example of that economic insecurity endemic to middle class life as a whole⁵⁸. To an extent it was. The City of Glasgow was an unlimited concern brought down by years of false accounting and fraud perpetrated by its directors and successive general managers. Its failure ruined hundreds of shareholders and their families, prompting the Reverend F. L. R. Robertson to accuse the culprits of having been:

"faithless to the high office to which they have been advanced by the shareholders. They have been disloyal to the truth and to the first principles of morality ... they trod the streets of the City, arrayed in the garments of righteousness, making long prayers while they were devouring widows houses and erecting churches while they were wrecking homes"⁵⁹.

And so he should. The Reverend Robertson held £1,400 City Bank stock on which £38,500 was eventually called. His ruination was the salvation of the same widows and orphans he feared would be left destitute. Unlimited liability in this instance reveals the often brute conflicts of interest that existed within the middle classes. In this instance it served to redistribute wealth from the top (the shareholders) to the bottom (the depositors) of the middle class, guaranteeing the savings of thousands at the expense of hundreds who until disaster struck had been content to take dividends raised ahead of every other Scottish bank - from 5 per cent in 1863 to an eventual 12 per cent in 1877 - to silence critics⁶⁰. We would be mistaken to ignore the inaudible sighs of relief that must have accompanied such disasters in favour of often self-serving public proclamations. A more definite example of tension within the middle classes is provided by Hobsbawm's account of 1930s

⁵⁷ quoted in D. Lockwood, (1989), pp. 30 - 31

⁵⁸ S. Nenadic, "The Victorian Middle Classes", in W. H. Fraser and I. Mavor, (eds), *Glasgow Volume II: 1830-1912*, (Manchester: Manchester University Press, 1996), pp. 294-295

⁵⁹ R. N. Forbes, "Some contemporary reactions to a banking failure", *The Three Banks Review*, (1979), 121, p. 46

⁶⁰ RB 419, "Dividends of the Scotch Banks"

jazz aficionados, who he suggests were predominantly lower middle class young men for whom jazz was a revolt "against the world of upper-class culture, as reached through the public school and 'varsity'"⁶¹. Thus, as savers, employees and consumers the interests of the lower middle classes were not always the same as the investors, employers and producers presumed to have led them. For this reason a study of employment is vital as it allows such conflicts of interest to be examined along with the extent to which more powerful and affluent others - employers - played an active part in the lives of clerks.

Before proceeding it is necessary to make one important qualification; the issue of gender receives only limited attention in this thesis due to the transitory employment of women and resource limitations. This is not to say it is unimportant. Women began working in Scottish banking during the First World War, then made way for men returning from the trenches, until being permanently reintroduced towards the end of the nineteen thirties. During this period the women who worked in banks were known formally as lady clerks, informally, they were the girls. Both labels reveal banking was regarded as a male preserve, one where it was unnecessary to identify a clerk as a man. Thus, bank employment was not gender neutral, rather it was defined on the basis of distinct notions of masculinity. Women were only ever present somewhere in the background, usually in subordinate roles as housewives, mothers or girlfriends, each charged with facilitating male careers⁶². And masculinity was an important part of how others perceived clerks with clerking often regarded as being a less than manly activity, an issue considered below, but only as part of the broader concern with social identity.

To summarise the discussion so far, the previous section drew attention to the fact the lower middle class has received scant academic

⁶¹ E. J. Hobsbawm ("Francis Newton"), *The Jazz Scene*, (London: Weidenfield and Nicolson, 1989), pp. 238-242

⁶² A. Witz. op. cit.

attention and identified this as a consequence of the ideological development of social history in Britain. It also noted the term itself has limited analytical worth. This section has examined what analysis there has been, charting the emergence of the lower middle class during the later nineteenth century as a culturally distinctive social stratum. It was shown that "status panic", an argument that depicts the social and political life of clerks as a reflex response to their declining economic fortunes, has dominated what accounts there are of the lower middle class. But, it was argued much of the evidence presented in support of this does not withstand close scrutiny, nor, particularly in politics, do the links between clerks and right-wing or elite politics appear as straightforward as has been assumed. Similarly, a cursory examination of contemporary events indicates relations within the middle classes were more complex, or at least possessed more tensions than has been assumed. In light of this the first task of this thesis is to establish what the economics of clerical employment were and following on from this to accurately describe the labour market experience of clerks. The second task is to assess the importance of status as a means of understanding the social and cultural life of clerks. The third task is more diffuse; it is to examine how accurate a guide the key elements of the clerical mentality set out above are to the values and behaviour of the subjects of this thesis, and in so doing consider the content and conduct of their relations with other groups in society.

1.3 Employment and identity in Scottish banking, 1850 - 1939

Having identified the main issues to be addressed in this thesis the remainder of this introduction outlines the necessary analytical framework. This thesis examines a diverse range of issues using a variety of methodologies and sources. Analysis occurs at the level of the Scottish banking sector and in relation to specific institutions. Consequently, this thesis is a wide-ranging study that adopts an eclectic approach and is therefore not amenable to a broad methodological

overview. Instead the following section outlines the specific topics to be considered in individual chapters, indicating where appropriate the approaches used to address them.

To begin with there is the belief derived above all from Marx that the economic mattered. This and the centrality of economic rewards to existing accounts combined with the latter's apparent limitations is why the first chapters of this thesis are intended to support a more convincing account than currently exists. The example of labour history can assist in this process. Despite originating in Britain as the study of the institutional development of trade unions, in recent years the role played by management in shaping industrial relations has been increasingly recognised. So much so there is arguably a new paradigm wherein managerial concerns and the concomitant imperatives of competition have taken centre stage⁶³. This recognition of commercial constraints as a significant influence upon employment practices is of particular relevance. From a different perspective Milgrom and Roberts explain "The decision about the number and sort of people to recruit depends on an organisation's strategy, technology, and forecasts about the future"⁶⁴. Similarly, Moschandreas notes that to understand employment arrangements "we must examine the nature of the product produced and the conditions under which it is traded"⁶⁵. These assertions indicate that it is necessary to begin with an examination of the business of banking in Scotland, which is undertaken in chapter 2. This details the structure of the sector and bank organisations, competitive arrangements, the services provided and the conduct of banking, to provide a context that informs the subsequent analysis of employment and social identity.

⁶³ T. Adams, 'Market and institutional forces in industrial relations: the development of national collective bargaining, 1910-1920', *Economic History Review*, L, (1997) p. 506

⁶⁴ P. Milgrom and J. Roberts, *Economics, Organization and Management*, (London: Prentice Hall International, 1992), p. 339

⁶⁵ M. Moschandreas, *Business Economics*, (London: Routledge, 1994), p. 476

However, before doing so chapter 3 considers the development of the Royal Bank of Scotland. Our understanding of the lower middle class is restricted by the paucity of available research, in particular what are essentially quantitative statements concerning careers are almost entirely based on impressionistic accounts. Yet various organisations including the Scottish banks produced detailed staff records amenable to quantitative analysis. Recent developments in information technology make it possible to analyse the large volume of nominal data these contain, allowing vague notions to be replaced with more accurate conclusions. Even so, cost and time constraints restrict the scope of any research project. In this instance it was deemed necessary to concentrate on the records of a single bank. The Royal Bank of Scotland was chosen because its records were suitable and available. This specific focus makes it possible to examine how factors capable of affecting change came into being as opposed to discerning general trends in the population as a whole. But, such detail needs to be set against problems of typicality. Therefore the primary purpose of chapter 3 is to outline the development of the Royal Bank of Scotland, to establish how representative it was of Scottish banking as a whole, before proceeding to examine employment in chapters 4, 5 and 6.

The literature surveyed earlier in this chapter has identified a transition in clerical employment from a partial reliance on external markets to a near complete attachment to careers spent within substantial organisations. This is a key component in what economists describe as an Internal Labour Market (ILM). Competing theories drawn primarily from the economics literature are used in chapter 4 to account for the development of employment as an ILM at Royal Bank of Scotland during the first three-quarters of the nineteenth century⁶⁶. It is argued during this period that employment arrangements underwent

⁶⁶ See the definition of an internal labour market given in chapter 4 and also P. Osterman, (1984) 'The Nature and Importance of Internal Labor Markets', in P. Osterman, (ed), *Internal*

significant change, before reaching a form retained until after the Second World War.

Chapter 5 assesses the rewards of bank employment over the period 1873 to 1914 in two ways. First, the dimensions of Royal Bank careers - recruitment, tenure, geographical mobility and the rate and extent of promotion - are examined quantitatively. Second, the complete package of financial rewards staff received is identified and its worth then estimated and assessed over the course of each career, and by comparison between successive cohorts of recruits. The conclusions reached are then related to the broader issue of clerical living standards.

Alongside the experience and rewards of bank employment in Scotland an important aspect of Scottish bank employment regularly noted by historians of banking is the mass emigration of staff⁶⁷. This is considered in chapter 6. Where staff went and what they did is identified, as is how they got there and why they left to produce an account of what is identified as a sophisticated, international market for bank labour.

Chapter 6 then proceeds by considering the cultural consequences of emigration, paying particular attention to perceptions of other countries and of emigration itself. This is used to examine how the subjects of this thesis perceived Scottish society, in particular to what extent the praise of emigrants and other lands supports the contention that the lower middle class adhered to a belief in the worth of established institutions and regarded Scottish society as meritocratic.

In chapter 7 the history of the Institute of Bankers in Scotland is used to consider the collective-status of bank staff. Professional associations form an interface between social aspirations and economic goals; professions operate by establishing controls over the market to

Labor Markets, (1984); Creedy, J. and Whitfield, K. 'The Economic Analysis of Internal Labour Markets', *Bulletin of Economic Research*, 40, (1988), pp. 247-269

⁶⁷ see for example A. W. Kerr, *The History of Scottish Banking*, 4th ed. (1926)

create an artificial scarcity in the supply of labour⁶⁸. Status is integral to this process serving to legitimise controls that confer economic advantages, which in turn shore up the status claimed as well as the independence, security and self-confidence necessary to make such claims in the first place. Furthermore, professionalisation necessitated discussion of where bank clerks were located in what was perceived as a definite social order. Therefore, the history of the Institute is an appropriate point (as well as a source of relevant material), at which to assess the importance of status and consider the social identity of the subjects by examining how they regarded and related to other social groups.

The final chapter examines the emergence of bank trade unionism between the wars, another area where "status panic" has been used to explain the behaviour of clerks; trade unions were perceived as working class and therefore something to be avoided. Yet the formation of meaning is a more complex process than this (admittedly simplified) argument allows; meaning is asserted, qualified and contested through a dialogue wherein the resources interested parties are able to deploy in support of their own interpretation constitute a crucial element⁶⁹. At its most basic trade union membership is evidence of at least dissatisfaction with the status quo as it signals a felt need for the intervention of another agent besides the employer and employee in the employment relationship. Thus, examining the origins and development of bank trade unionism is a means of considering the conduct and content of the employment relationship. However, there remains the specific meaning of bank trade unionism. An examination of how this developed is again used to critically assess the role of status in understanding the social behaviour and attitudes of clerks as well as the accuracy of the clerical mentality set out above.

⁶⁸ H. Perkin, *op. cit.*

⁶⁹ R. Williams, *Keywords*, 2nd ed. (London: Fontana Press, 1983)

In overview this section has outlined the three parts of this thesis. The first (chapters 2 - 3) considers the business of Scottish banking and of the Royal Bank of Scotland. The analysis uses existing historical accounts and the records of the Royal Bank. It is intended to establish what type of organisation banks were, what they did and how they fared. The second part (chapters 4 - 6) is concerned with the economics of bank employment and is based upon the records of the Royal Bank of Scotland and the Institute of Bankers in Scotland. In general terms this outlines the procedures used to recruit, train, allocate, motivate and reward staff, then undertakes a quantitative analysis of recruitment, staff tenure and promotion. In addition the related subjects of emigration and the worth of bank employment are considered. The third part (chapters 6 - 8) uses bank records alongside those of the Scottish Bankers Association, the Institute of Bankers in Scotland and the Ministry of Labour as well as contemporary banking and financial journals. Here the goal is to critically assess the role of status in understanding the behaviour of clerks as well as those key points set out above regarded as making up the clerical mentality. The question of social identity is then considered directly in the conclusion.

To clarify the broad aims of this thesis; it uses bank employment as an example with which to consider the social identity of the lower middle class in Britain during the period 1850 - 1939. As such it is the first major study of a then emergent social stratum in Scotland and will provide a critical reassessment of existing British accounts. By utilising economic and sociological theory it will break down disciplinary barriers to produce a social scientific history, placing issues raised in these other disciplines in historical perspective. As part of this innovative use is made of information technology to allow the quantitative assessment of staff records, which is in turn integrated with a qualitative analysis of written records.

Chapter 2: The Business of Banking in Scotland, 1844 - 1939

2.1 Introduction

This chapter and the next provide a context that informs the subsequent analysis of bank employment. They are concerned with the development of banking in Scotland first at the level of the industry as a whole then through a detailed examination of the Royal Bank of Scotland. Andrew Kerr, banker, founder and first secretary of the Institute of Bankers in Scotland pioneered the historical study of banking in Scotland in the 1870s. Sydney Checkland in his *Scottish Banking: A History* subsequently developed much of the methodology and chronology Kerr introduced. This study draws on both authors, ordering the history of banking over the period in question into three successive phases set out below through which it is argued the sector passed. These are differentiated primarily on the basis of industrial structure, organisational form, competitive arrangements and approaches to asset management. Where it can claim some originality is in its detailed examination of relations between the banks. In particular, it considers the origins and development of a bankers' cartel formed to control competition by regulating interest rates and charges. It argues the resultant commitment to collective agreement had a significant impact on the structure and nature of banking in Scotland, contributing to the great stability of the sector particularly after 1878, as well as facilitating an apparent conservatism that acted as a brake upon innovation and change.

Completing the system, 1844-78 - During the three decades after the 1844-45 bank acts the structure, conduct and scope of Scottish banking attained a form largely retained until after the Second World War. Banking became a stable oligopoly dominated by a single tier of joint-stock banks; substantial concerns organised as integrated

hierarchies, with numerous shareholders, note issuing rights and a national or at least supra-regional branch network. The distinctively dominant figure of the Scottish general manager also emerged during this period and - after the traumatic failure of the Western Bank of Scotland in 1857 - began regularly meeting with his peers to set the terms of competition between the banks in Scotland. The last major addition to bank organisations occurred in the 1860s and 1870s when the banks began opening London offices. This was accompanied by English concerns about the geographical scope of Scottish banking eventually resolved in the 1870s when both sides tacitly agreed to keep to their respective sides of the border. This transitional era ended in 1878 with the collapse of the City of Glasgow Bank, the last great Scottish bank failure.

Control and competition, 1878-1918 - after the City of Glasgow failure Scottish banking until 1918 was dominated by a commitment to collective agreement. This varied in intensity over time, but proved capable of withstanding internal divisions and deflecting external attempts at inducing unacceptable forms of competition. The cost of this stability was a degree of conservatism, which held innovation in check. Using the annual accounts first published in 1865 and subsequently compiled by Checkland it is possible to chart what effects this had upon the growth and composition of bank assets within the constraints of the Scottish economy. In this respect two characteristics are key: first, the relative, then absolute slow down in their rate of growth; and second, the increasing emphasis placed on holding reassuringly liquid assets, which involved a shift from lending to investing in marketable - typically local, national and international government - securities.

Transition, 1918-39 - the period between the wars was one of continuity and change. The General Managers' Committee remained in place despite the acquisition of 4 Scottish banks as affiliates by 3 English

banks. The ongoing commitment to collective agreement and the equilibrium it imposed thwarted and delayed proposals to alter the range and marketing of bank services. In addition, proposed mergers between the remaining Scottish banks that threatened to upset the prevailing equilibrium also failed. All this was indicative of novel tensions that saw competition between the banks in Scotland becoming more intensive, but continuing to occur through prescribed channels, primarily the opening of an ever increasing number of branches. At the same time the conduct of banking became more professional as full-time agents managed a growing majority of branches, working within ever more elaborate organisational structures geared to encouraging deposit gathering. Consequently, on a balance sheet basis the banks grew ahead of the British economy. As the ability to lend constrains the willingness to gather deposits, this was a notable achievement given the sustained difficulties experienced elsewhere in the Scottish economy. Indeed, the problem of finding suitable lending opportunities was a recurring theme throughout the 1930s. The achievement of growth despite this is explained here as primarily a result of the increased availability of government securities and increased lending outside Scotland undertaken at the banks' London offices.

2.2 Completing the system, 1844 - 1878

Banking in Scotland began the nineteenth century as a hierarchy of public, private and provincial banks. By 1850 it was dominated by a single tier of joint stock banks. Driving this transformation was the widespread adoption of branch banking, a process dependent upon administrative innovation - the development of bureaucratic arrangements that allowed the centralised control of entire banks. However, completion entailed more than structural change, it also involved permanent arrangements being reached for the conduct of competition and inter-bank diplomacy in Scotland through what became known as the General Managers' Committee. Finally, it saw the

geographic scope of the banks' business being defined in the 1870s. Thereafter, the banks were to experience decades of relative calm.

Joint-stock banking began in 1810 with the formation of the Commercial Bank of Scotland whose founders from the outset made innovatory use of branches. The first branches had primarily served to increase the circulation of bank notes; subsequent branches added more lending outlets. In both these ways branches often replaced local correspondent arrangements, allowing administrative economies and informational advantages to be achieved. At the same time a system of round tripping had developed whereby those requiring credit would approach one of the small Edinburgh based private banks, which if agreeable would borrow the necessary funds from a public bank, adding a few points to the credit in the process. Commercial Bank branches were pointedly intended to end this. By allowing market-based transactions to be conducted within the confines of a single organisation, they enabled it and borrowers to side-step the private banks. These new branches offered the complete range of banking services; accepting funds on deposit receipt or current account and lending via cash credits, overdrafts and bill discounting. However, their primary purpose was to gather deposits to be lent elsewhere¹. Gaining access to greater lending resources in this way allowed a larger lending business to be conducted more safely. The geographical dispersal of branches gave insulation from the fortunes of individual regions and industries, a spreading of risk and consequent scale of operations that in itself increased public confidence and encouraged more people to open bank accounts. These benefits were and remained a powerful impetus to the adoption of the joint-stock form and during the period 1825 to 1844 20 concerns were formed along similar lines to the Commercial Bank.

¹ For a description of banking services see C. W. Munn, *Clydesdale Bank The First One Hundred and Fifty Years*, (Glasgow: Collins, 1988A), pp. 22-26

The intense competition that ensued drove out earlier forms of bank organisation. Provincial banks, though comparable in structure to joint-stock banks, were organised on a smaller scale and therefore incapable of safely meeting the growing demand for larger individual credits. They along with the private banks, out of favour with the public and the public banks, retired from the scene. The three public banks formed by state charter - Bank of Scotland, the British Linen bank and the Royal Bank - already comparable in scale on a balance sheet basis to the joint stock banks - having operated rudimentary branch networks since the eighteenth century, adopted joint-stock banking. Thus, the hierarchical structure of Scottish banking gave way to a single tier of substantial private and public concerns conforming to the joint-stock form. This transformation ended with the Bank Charter Act and legislation of 1844-45. By removing the right to form new note-issuing banks, without which no bank was considered tenable in Scotland, this legislation posed a permanent and substantial entry barrier that effectively ended the possibility of any more banks being established in Scotland.

Thereafter the system was refined rather than altered. The last private bank was acquired in 1843 and over the next two decades the few remaining provincial banks and smaller joint stock banks disappeared. Once Bank of Scotland acquired the Central Bank of Scotland in 1868 all that remained were the five banks headquartered in Edinburgh: the public banks, plus the Commercial Bank and the National Bank; and in Glasgow the Union Bank, the City of Glasgow Bank and the Clydesdale Bank; plus the smaller Northern banks - the Town and Country and the North of Scotland in Aberdeen and the Caledonian Bank in Inverness. Although minor changes involving the Northern banks subsequently occurred (in 1907 Bank of Scotland acquired the Caledonian Bank and in 1908 the North of Scotland and the Town and Country Banks merged), this structure remained essentially intact until after the Second World War. In a system dominated by the

central belt banks, the failures of the Western Bank in 1857 and the City of Glasgow Bank in 1878 considered below, were important exceptions to this overall stability. However, in terms of structure these merely served to tip the balance of the sector permanently towards Edinburgh. But, even taking these failures into account, the structure of banking in Scotland was largely complete by 1844 and virtually static after 1878. Banks failed elsewhere, a continuous trickle in England, but not in Scotland².

General managers who enjoyed a degree of authority unique to Scotland managed the banks. In England general managers became the 'great servants' of the banks, holding responsibility for daily managerial matters, but leaving strategic decision-making to directors³. A Scottish general manager instead viewed directors with a mixture of loyalty, respect and occasional scepticism, and his board as something else that required careful management. For instance, when discussing a venture with his peers one general manager remarked "with boards of directors having to be handled carefully, at the present stage of development the bringing in of that side of the question too prominently might cause some of them to go to bed for a month"⁴.

This separation of ownership from control was partly a consequence of the increased scale and complexity of bank organisations following the adoption of branch banking. The agents who ran the first branches were controlled via financial disincentives; they provided bonds and accepted partial responsibility for losses. Administrative procedures were developed to supplement then replace these and at Royal Bank a hierarchy of trust developed. Its Port Glasgow and Rothesay branches were run as sub-branches to the

² F. Capie and G. Wood "Money in the economy, 1870 - 1939", in R. Floud and D. McKloskey (eds) *The Economic History of Britain since 1700, Volume 2: 1860 - 1939, 2nd ed.*, (Cambridge: Cambridge University Press, 1994), p. 228(

³ Y. Cassis, "Management and Strategy in the English Joint-Stock Banks, 1890-1914", *Business History*, 27, (1985), pp. 301-315, *City Bankers, 1890-1914*, (Cambridge: Cambridge University Press, 1990), pp. 115-121 and "Bankers in English Society in the Late Nineteenth Century", *Economic History Review*, LXIII, (1985), pp. 210-229

nearby Greenock branch whose agent was responsible for supervising his sub-agents via their accounts and was responsible in turn to the Cashier (the general manager) who periodically visited the branches to inspect the books. The sheer volume of branches and business soon made this too demanding a task for the Cashier to fulfil as well as his other responsibilities. Instead supervision that had been indirect, intermittent and fragmentary, became ongoing, penetrating and routine. In every bank control was centralised and practical responsibility delegated to specially devised head office departments concerned with the administration of the entire bank. A contemporary textbook identified these as the cheque office (responsible for current accounts), the bill office, the correspondence office, the accountant's office (responsible for entire bank bookkeeping), the law department and the inspector's department⁵. The business of each branch was monitored via a range of accounts sent to the inspection and accountant's departments on a weekly, monthly, quarterly and annual basis. These rendered immediately visible the inadequacies and successes of individual agents, while making it possible to assess the performance of the whole. Business was conducted in accordance with specially devised regulations set out in the rule books produced at each bank and issued to agents. These were updated by regular circulars, which notified agents of procedural changes. Finally, inspectors randomly descended on each branch at least once a year to inspect its accounts, cash, staff, fixtures and fittings. These well-developed monitoring procedures and the agents' continuing responsibility for loans made without head office approval, plus the opportunity to achieve scale economies in bank administration via task specialisation, meant there was no aversion in Scotland as there was initially in

⁴ Letter to Commercial GM, CS 205

⁵ A. Kerr "Arrangements and Functions", in A. Kerr (ed) *Scottish Banking During the Period of Published Accounts*, (1898), p. 112

England to the opening of branches on the basis of agents being difficult to control⁶.

However, organisational scale and complexity also featured in England. What was different about Scotland was the particular transformation the system underwent in the first half of the nineteenth century. Private banks remained a constant feature in England and private bankers subsequently gained a key role in the strategic management of English joint-stock banks. Private bankers had also formed an influential presence in the boardrooms of the Scottish public banks. Beneath them the Bank of Scotland Treasurer and Royal Bank Cashier as their titles implied were originally more clerks than managers, primarily responsible for keeping an accurate record of cash transactions. The disappearance of private bankers, and in the case of Royal Bank their ejection from the board in response to shareholder disquiet, left a vacuum the Cashier and Treasurer eagerly filled. In doing so they remade themselves as general managers replete with executive powers, leaving the directors, though retaining ultimate authority, to accept a lesser role as advisors and confidants to their executive.

To find men capable of combining the lending skills of a banker with the mastery of administrative detail necessary to manage the complex bureaucracies banks became, directors initially looked beyond the confines of their own organisations. The Glasgow banks favoured recruiting from the professions. The first manager of Union Bank was a manufacturer and merchant, then from 1862 to 1910 it was managed by one accountant, Charles Gairdner, then another, Robert Blyth, previously manager of the Scottish Amicable Life Assurance Society⁷. The public banks preferred recruiting already proven managers from other banks. In 1886 Hamilton Hotson left the sub-managership of the

⁶ C. W. Munn (1988A), pp.78-79

⁷ N. Tamaki, *The Life Cycle of the Union bank of Scotland, 1830 - 1954*, (Aberdeen: Aberdeen University Press, 1984), p 190

Bank of Liverpool to manage the British Linen Bank and was succeeded in 1912 by James Tuke, formerly manager of the Union bank of Australia. Similarly, Bank of Scotland recruited David Davidson from the Bank of Montreal in 1863 and George Anderson from the North of Scotland Bank in 1896. Although seemingly disparate, these men were actually bound together by Scottish origins and close, often personal ties. For instance, Thomas Smith began his banking career as a Bank of Scotland apprentice and later worked alongside Hamilton Hotson in London before being recommended for the managership of National Bank in 1881 by the Bank of Scotland Treasurer David Davidson whose brother was a National Bank director⁸.

The ultimate expression of the general managers' authority was the General Managers' Committee where they met to set the Agreements and Understandings (the 'A and Us'), which regulated competition between the banks in Scotland. This was the product of self-interest - the desire to protect profits by preserving an adequate margin between rates paid and rates charged - underpinned by the belief competition in banking was so fierce any competitive advantage introduced by one would quickly be adopted by all eroding any advantage and leaving market share unchanged, but acquired at greater expense. The stable, oligopoly, which characterised the structure of the industry after the early 1840s, favoured collusion, as did the close ties between the general managers. Moreover, the branch networks and the note issue presented substantial entry barriers no institution was either willing or able to overcome, ensuring collusion could occur with limited outside interference. Yet it still required the traumatic failure of the Western Bank in 1857 before the general managers'

⁸ For biographical information on the general managers see Moneta, *Scottish Banks and Bankers*, (Edinburgh, 1904); C. W. Munn (1988A); C. A. Malcolm *The History of the British Linen bank 1746 - 1946*, (Edinburgh: T and A Constable, 1950), pp. 216-221; In addition every issue of *Scottish Bankers Magazine* published during the period of this study began with a career profile of a senior Scottish bank official.

permanently agreed to avoid mutually disadvantageous price competition.

To a large extent this was because opinions about what were acceptable forms of competition varied on a regional basis. Edinburgh bankers led various attempts to end competition on the basis of interest rates and charges, striving to enshrine quality of service, access to banking facilities and the willingness to lend as the sole points of competition⁹. However, Glasgow bankers remained attached to price competition - varying interest rates and charges - which made Glasgow the most competitive as well as the largest market for banking in Scotland¹⁰. Consequently, Edinburgh bankers arranged meetings where Glasgow bankers set the rates. As the Commercial Bank board informed its Glasgow Agent, regardless of their own opinions they would abide by whatever he agreed to in Glasgow¹¹. Committees were established and agreements reached, however, as John Thomson the Royal Bank Cashier until 1846, noted; agreement only lasted as long as it suited any individual bank¹². In 1850, for example, when the public banks set new rates and arrangements for calculating interest favouring banks over depositors, certain Glasgow banks rejected both and quickly exploited the advantage this gave them to attract new business¹³. Tensions emerged within and between the Edinburgh banks when the Royal Bank Glasgow Cashier adopted Glasgow ways to the stated displeasure of his board and Bank of Scotland¹⁴. Asked to explain himself he explained as other gentlemen in the city were in the habit of considering themselves free from any obligations whenever a meeting failed to reach agreement, he considered himself similarly unobliged

⁹ S. G. Checkland, *Scottish Banking A History, 1695 - 1973*, (Glasgow: Collins, 1975), pp. 391-392

¹⁰ C. W. Munn, 'The Development of Joint-Stock Banking in Scotland, 1810 - 1845', in A. Slaven and D. Aldcroft (eds) *Business, Banking and Urban History*, (Edinburgh: John Donald, 1982)

¹¹ RBM 6th Jun. 1849

¹² S. G. Checkland, op. cit., p.391

¹³ RBM 16th-Jan. 1850

¹⁴ RBM 30th Nov. 1853 and 7th Dec. 1853

and free to compete for business on their terms. The establishment of the Glasgow clearing house in 1856 saw meetings became more settled, but they continued being held in Glasgow, a symbol of the Edinburgh bankers' willingness to meet Glasgow on its own terms¹⁵.

Historians have already detailed and debated the failure of the Western Bank in 1857, but have not commented on its effects upon subsequent inter-bank relations¹⁶. Yet it was arguably the catalyst that enabled the Edinburgh view to be imposed on Scotland. The Western Bank had been the main dissenter from the Edinburgh orthodoxy; its failure removed a substantial barrier to collective agreement. However, every Glasgow bank had at one time or another taken its side. The details of the failure and accompanying damage done to the reputation of Glasgow banking, which saw depositors running primarily to the Glasgow banks to withdraw their savings, made this unlikely thereafter. During the Western Bank's negotiations for aid the Edinburgh banks promised assistance on the condition that it was wound up. The Union Bank, also in a precarious position, sided with the Edinburgh banks in exchange for substantial assistance. The City of Glasgow was less fortunate and when depositors withdraw their deposits en masse; it too closed its doors. Although the closure was temporary, the damage to its reputation was permanent. Of the Glasgow banks only the Clydesdale Bank emerged relatively unscathed. However, subsequent events soon confirmed the newly established Edinburgh dominance. In 1858 Clydesdale Bank (re)introduced time deposits, paying a higher rate on deposits repayable at one month's notice¹⁷. The facility was an immediate success, but was withdrawn following pressure from the other banks. This, Munn suggests, is evidence of a loss of confidence and of the

¹⁵ IOB letters 24th Feb. 1933

¹⁶ R. Saville, *Bank of Scotland A History, 1695 - 1995*, (Edinburgh: Edinburgh University Press, 1996); S. G. Checkland, op. cit.; N. Tamaki, op. cit. ; R. Campbell, "Edinburgh bankers and the Western bank of Scotland", *Scottish Journal of Political Economy*, 1, pp. 133-148

growing co-operation taking place between the banks¹⁸. Symbolically, after 1857 meetings to set the rates were only ever held in Bank of Scotland's Edinburgh boardroom.

Besides setting interest rates and charges what became known as the agreements and understanding or 'A and Us' of the General Managers' Committee provided Scottish banking with a code of conduct. By 1901 the A and Us were set out in a nine-page booklet containing fifty points for the guidance of agents and head office officials¹⁹. Written without ambiguity, they were the cumulative products of experience and an acute sensitivity to any act open to interpretation as conferring a competitive advantage based on price. Consequently, advertising, charitable donations and canvassing (or poaching) customers were all prohibited. The 'A and Us' became an ever more elaborate means of squeezing out that discretion, which had existed in the relationship between a banks and its customers. Point three, section one, for example, stated

"Under no circumstances are bills to be held over by a branch undiscounted, on the understanding that in the event of a rise on the Bank of England rate being announced, they are then to be discounted at the old rate"²⁰.

In this way arrangements agents once made for preferred customers (and themselves) gave way to uniform treatment.

The major exception to this self-conscious egalitarianism was the banks' London interests. These were managed at the banks' London offices, the last major addition to Scottish bank organisations during this period. Bank of Scotland considered opening in London in 1844, as did Clydesdale Bank in 1855 and Royal Bank in 1856²¹. However, the first bank to actually do so was the National Bank in 1864, quickly followed

¹⁷ C. W. Munn (1988A), p.53 - 54

¹⁸ *ibid.*

¹⁹ Agreements and Understandings Among the Banks in Scotland, 21st October 1901, RB 257/7

²⁰ *ibid.*

²¹ S. G. Checkland, *op. cit.* pp. 481-482; C. W. Munn (1988A); p. 73; N. Munro, *The History of the Royal Bank of Scotland*, (Edinburgh, 1928), p. 242

by its Edinburgh and Glasgow rivals. A London office fulfilled three key functions: it allowed the direct management of cash reserves and investments; gave direct access to commercially relevant information; and as at any branch took deposits and lent locally. Within a few years these outposts of Scottish banking acquired a further defensive function; they allowed banks to meet the needs of existing large mercantile and financial customers finding a London account increasingly necessary. In 1883 and left behind by its rivals, the Commercial Bank opened a London office primarily to preserve its Scottish interests due to fears that existing customers would be lost to rivals eager to meet more than their London needs²². There it joined the other Scottish offices as an accepted though periodically unwelcome presence in the City, lending to English and international customers, underwriting public and private share issues and investing overseas, but, kept firmly outside the London clearing house, reliant on English clearers for access to its facilities²³.

After 1874 London was also the only location south of the border where the Scottish banks were allowed to operate. This was a consequence of the Clydesdale Bank opening branches in the North of England in 1874, which prompted fears amongst English bankers and their parliamentary supporters of a Scottish invasion. They united to put pressure on the Chancellor of the Exchequer to end the Scottish note issue which English banks were obliged to relinquish if they wished to operate in London²⁴. No bill was passed, instead, the other Scottish banks, acting to protect their developing London interests, persuaded Clydesdale Bank to curtail its English expansion²⁵. Thereafter

²² CS 188 *Report by Manager on a London Agency*, March 1883,

²³ For details of the often antagonistic early response to the Scottish banks in London see N. Munro, op. cit. pp. 274-275; M. Gaskin, "Anglo-Scottish Banking Conflicts, 1874-1881", *Economic History Review*, XII, (1959 -60), pp.445-455

²⁴ S. G. Checkland, op cit., pp. 483-484; C. W. Munn (1988A) pp. 96-98. To an extent it was an unfair advantage given that in accordance with the 1844-45 Bank legislation, any English bank operating within 65 miles of London had to relinquish its note issue.

²⁵ Minutes of Meeting of Scotch Banks in the Westminster Palace Hotel 17th Mar. 1875 contained in UGD 129/3/1/5 *Clydesdale Bank Branches*

both sides tacitly agreed to keep to their own side of the border with the London offices the only foray into England (apart from the Clydesdale Bank's few northern branches) the Scottish banks were allowed. Thus, the decision to retain the note issue locked the Scottish banks out of England. The relative calm that ensued was subsequently broken by the failure of the City of Glasgow Bank in 1878, an unlimited concern brought down by fraudulent accounting practices that had allowed substantial bad debts to be disguised as assets for years. The failure ruined thousands of shareholders across Scotland; its impact is discussed in more detail below.

2.3 Control and competition, 1878 - 1918

After 1878 the control over competition achieved by internalising market-based transactions and reaching formal, collusive agreements to restrict competition, continued without any interference from new entrants to banking in Scotland. The banks grew, but largely within the confines of the Scottish economy and without undergoing any significant change in their organisational form or the services provided. The industry as a whole passed into a soporific state that remained unbroken until after the First World War. During this period administrative efficiency was seemingly prized more highly than innovation, indeed, change when proposed was resisted and Scottish banking became marked by an apparent conservatism that revealed itself in various ways.

Continued restrictions on price competition encouraged other forms of competition, particularly the expansion of the branch networks. Consequently, the Scottish banks achieved then retained a higher degree of market penetration than in England as measured by the number of branches per 1,000 people (see table 2.1) This was a notable development in a poorer country based upon several unique features. Whereas in England the lack of capable branch managers was held to be a restriction on branch banking in the first half of the

nineteenth century, Scottish banks began branch banking using local businessmen as part-time agents, paying them annual salaries of as little as £50. The agents' own business premises were often used for the conduct of bank business. This allowed branches to be opened at minimal expense and the cost of investing in dedicated premises to be delayed until a location proved itself worthwhile. In England part-time agents came and went, in Scotland they persisted, accounting for 20 per cent of all Agents in 1924²⁶. The Scottish banks also made intensive use of apprentices as a source of cheap labour (this is discussed in more detail in later chapters). Finally, the note issue remained a source of cheap till money. It was only when the total worth of notes issued by a bank exceeded the levels set in the 1844-45 legislation, that they incurred the cost of being covered by balances kept with the Bank of England; a cost an effective note exchange system kept to a minimum²⁷.

The rate of branch openings varied over time (see table 2.1 below) indicating competition varied in intensity. After the City of Glasgow failed the general managers divided its branches and deposits out amongst themselves. Once this windfall was secured competition on the basis of branch banking gave way to a series of mutually agreed branch closures. For instance, in 1880 the Union Bank board resolved that

"This Bank was to withdraw from Neilston in favour of the Clydesdale Bank; and the Clydesdale Bank to withdraw from Bathgate in favour of this Bank It was further agreed that a donation of £150 should be paid, after the lapse of one year, to the present Agent of the Clydesdale Bank in Bathgate, provided their deposits business shall then have been in main transferred to this Bank²⁸.

Such agreements continued throughout the 1880s and 1890s allowing the branch networks to be consolidated; unsuccessful branches were

²⁶ *Scottish Banker*, Nov. 1924, p. 146; W. F. Crick and J. E. Wadsworth, *A Hundred Years of Joint Stock Banking*, (London: Hodder and Stoughton, 1936), pp. 135 - 136 & p. 257

²⁷ M. Gaskin, "The Profitability of the Scottish Note Issues", *Scottish Journal of Political Economy*, 1, (1956), pp. 188-204

²⁸ Minutes of the Board of Directors of Union Bank quoted in N. Tamaki, op cit., p. 151

Table 2.1. *The density of bank offices in Scotland, England and Wales, 1850-1937*

Year	Scotland			England & Wales		
	Banks	Bran-ches	People per Branch	Banks*	Bran-ches*	People per branch
1850	17	438	6500	426	1094	16129
1875	11	910	3800	358	1959	12346
1900	10	1078	4149	164	4570	7042
1912	8	1217	3846	57	5634	6452
1937	8	1888	2646	21	10118	4049

* The total number of joint-stock and private banks and bank offices operating in England and Wales.

Source : Tables 2.4, 2.5 & 7.3 in M. Collins, *Money and Banking in the UK A History*, (1988) and RB 419, *A Statistical Analysis of Scottish Banking*

closed and business gained elsewhere that rival banks agreed not to poach.

However, more branches were opened than closed and an element of chess featured in the siting of new branches, for example, some branches were established solely to impede a rival's progress. But, the notion Scotland had enough branches, which emerged alongside the Clydesdale Bank's English invasion apparently persisted as the subsequent growth of the networks was only sufficient to keep pace with the Scottish population (see table 2.1 above). Whereas the number of people per branch had fallen from 6,859 in 1845 to 3,800 in 1875, this fell back to 4,193 after the 1878 failure where it approximately remained until the 1910s²⁹. This was despite or more likely because of the increasing wealth of the population as well as the growth of the middle classes - the main suppliers of bank deposits - and shift in age structure towards middle-aged groups with a greater propensity to save and invest, developments with the potential to increase the volume of deposits held at existing branches³⁰. Mutually agreed branch closures ended in the 1900s when the North of Scotland Bank, having previously confined its activities to North East Scotland, began opening branches in

²⁹ RB 419, No. of branches of the Scottish banks, pp. 104-108

³⁰ M. Edelstein, "Foreign investment and accumulation, 1860-1914", in R. Floud and D. McCloskey, op. cit.

central belt locations. In the more competitive climate that ensued, and encouraged by the decline in total bank deposits (at current prices) that began in 1900 and continued until 1905, the growth of the branch networks accelerated once more. However, the ratio of people to branches first reached in 1875 remained unsurpassed until 1921.

Acting together the general managers contained attempts by outside bodies to induce unacceptable forms of competition. In the 1860s, 1870s and 1880s organisations engaged in substantial urban development schemes successfully pitted banks against each other. When the commissioners of the Dundee Gas company and Hamilton town council put their credit needs out to tender, Royal Bank lost out to the lower rates offered by Clydesdale Bank and only eventually won some of this business after agreeing preferential rates for the Dundee town chamberlain³¹. Thereafter, terms one bank might have no alternative but to accept were collectively refused. At Musselburgh in 1891 rival agents drew up a roster amongst themselves for sharing out the town council's accounts³². On a larger scale in Edinburgh the general managers drew up their own list of customers whose accounts were rotated between the banks and continued adding to this list throughout the period of this study. Another threat resisted was the 1880 Savings Bank Bill intended to lift the ceiling on savings bank deposits to £300³³. Restrictions on savings bank accounts prevented the more affluent, who would otherwise be bank customers, from exploiting the frequently higher rates paid on savings bank deposits. In response the collective voice of the General Managers' Committee argued forcefully against the proposal, which was subsequently dropped and only successfully revived in 1893³⁴.

Compared to the often transitory price fixing agreements reached in other industries, the over-riding impression is that the General Managers' Committee constituted a stable, wide-ranging and

³¹ RBM 4th & 29th Sep. 1868 and 22nd Oct. 1873

³² RBM 2nd Nov. 1891

³³ S. G. Checkland, *op. cit.*, pp. 487-488

³⁴ The same tactic was recommended when the limit on savings bank accounts was reconsidered three years later; Letter to Bank of Scotland Treasurer on Interest Rates, dated 14th Apr. 1884, NS 227

influential arrangement³⁵. Towards the end of the nineteenth century managers no longer even needed to attend to consider themselves bound by its decisions and only once did a bank leave the 'A and Us' following a dispute over the interest paid on deposits. After 1865 interest on deposit receipts fell from an average of 2.67 per cent during the years 1866 to 1875, to 2.54 per cent over the subsequent decade, then to 1.93 per cent during the years 1885 to 1896³⁶. When the rate was to fall below two per cent for the first time in 1885 the Inverness based Caledonian Bank refused and left the "A and Us"³⁷. This and the payment of a higher deposit rate won public support, but achieved little else. The Caledonian was too small and its business too geographically confined to have much effect beyond discomforting the Inverness agent of the Town and Country Bank. In 1888 the Caledonian returned somewhat chastened to the fold³⁸. Thus, ended the only serious revolt against the 'A and Us'.

This imposed order did not go unnoticed or escape criticism. In public the banks were regularly criticised by the Glasgow Chamber of Commerce for operating a stultifying monopoly³⁹. In private, a manager of the main Royal Bank Glasgow office argued "the Banks should adapt their rules to the requirements of their customers and the public and not require the public to shape their business methods to suit the banks"⁴⁰. However, the London interests of the banks remained an important exception to the "A and Us". There - as the Secretary of the Commercial Bank explained - "the banks were "not Scotch but English Banks when money is abundant they undersell the Bank of England and compete for discount business according to the judgement of its officials"⁴¹. Discussions about London revealed further limitations. On the eve of opening its London branch the Cashier of Royal Bank had

³⁵ O. M. Westall, "The competitive environment of British business, 1850-1914", in M. W. Kirby and M. E. Rose (eds) *Business Enterprise in Modern Britain: From the eighteenth to the twentieth centuries*, (London: Routledge, 1994), pp. 223-230

³⁶ A. Kerr, "Characteristics of the Period", in A. Kerr (ed), pp. 9-10

³⁷ RB 438 15th Jun. 1885

³⁸ RB 438 19th Nov. 1888, *North British Economist*, No. 2, 1889

³⁹ *Scottish Banking and Insurance Magazine*, 1885, p. 170; *North British Economist*, No. 11, 1889, No. 2, 1892 & No. 10, 1896

⁴⁰ RB 61/3, Memo for Mr. Wright on Interest on Deposit Accounts, 13th Sept. 1912

⁴¹ Memo on Interest Rates CS 187

asked his National Bank and Bank of Scotland counterparts about their London affairs. The National Bank Manager gave the following curt response: "while as a matter of courtesy and with a desire to meet this enquiry I have done this, I do not feel myself to be under any obligation to answer special questions"⁴². London became an outlet for competitive pressures otherwise constrained in Scotland, and as business there grew further tensions emerged concerning the preferential terms given to Scottish customers in London and whether this was a means of circumventing the 'A and Us'. Various agreements addressed this issue, but were unable to completely resolve it given the need for such activity to be voluntarily disclosed and for at times arbitrary distinctions to be drawn between Scottish and London business⁴³.

Nor do Scottish customers appear to have suffered unduly at the hands of a bank cartel. A winning entry to the 1904 Institute of Bankers in Scotland essay competition compared the rates and charges of the Scottish banks with those of unnamed English country banks during the period 1895-1903, and concluded credit in Scotland tended to be cheaper⁴⁴. Although Scottish rates had taken their lead from the Bank of England since the mid-nineteenth century, Scottish discount rates tended to remain lower, there was no charge for operating a current account and overdraft rates averaged the same. However, Scottish deposit rates, while tending to rise higher also fell further so that over the longer term deposits were less remunerative.

Rather, the primary cost of co-operation was the rigidity it imposed. Whereas in the 1830s and 1840s unrestricted competition encouraged experimentation in forms of acceptable lending and security, after 1857 such initiative was stifled⁴⁵. The fate of time deposits, first introduced by the Western and Clydesdale Banks in 1847, then

⁴² RB 153, copy of letter dated 19th Oct. 1873 and reply included in minutes dated 23rd Feb. 1874

⁴³ for example in 1930 the general managers agreed to try and restrict the transfer of Scottish business to London solely to get better rates; NS 210, Minutes of Meetings of Bank Managers, 6th Oct. 1930

⁴⁴ IOB 2/1/17 anon., "The Scottish Banks in their Relations with their Customers and the Public" (entry to the 1904 Institute of Bankers in Scotland annual essay competition)

⁴⁵ C. W. Munn (1982), p. 117

temporarily reintroduced by Clydesdale Bank in 1858, exemplifies this⁴⁶. Time deposits when available proved highly popular and the depositors who rushed their savings from one bank branch across the street to another to secure the extra half percent on offer, proved acutely price sensitive. The withdrawal of the facility left an unsatisfied demand eventually met by the Edinburgh agents of foreign banks. Whereas in January 1891 the Scottish banks paid 2 per cent on deposits lodged for at least a month, the New Oriental Bank paid 5 per cent on deposits lodged for at least 3 years and the Commercial Bank of Australia 4 and a quarter per cent on deposits lodged for at least eighteen months⁴⁷. However, foreign banks lost much of their lustre after the Australian bank crisis in 1893. Banks there had invested heavily in land, railways and agriculture, sectors that earned low returns in the 1880s, then the Australian economy fell into a recession that culminated in 54 of the 64 Australian Banks operating in 1891 closing their doors in 1893⁴⁸.

Charles Gairdner used the Australian crisis to defend the Scottish position. In his influential opinion time deposits were unnecessary in Scotland⁴⁹. Australia lacked a financial market comparable to London, thus Australian banks, lacking ready access to liquid assets, used time deposits to limit the reserves necessary to maintain liquidity (it is noteworthy that the Western Bank, regularly chastised for operating with minimal reserves, was the joint-pioneer of time deposits in Scotland). This critique exemplified both an attachment to liquidity and the importance of tradition in determining the parameters of banking as in Gairdner's opinion there were certain things a Scottish bank simply did not do; time deposits were a "modern deviation from the ancient principle" (meaning mutually self-liquidating advances and deposits; all deposits and advances are repayable on demand, therefore the liquidity of assets and liabilities are perfectly matched), suitable for mortgage or investment companies, but not banks. His response

⁴⁶ RBM 29th Dec. 1847

⁴⁷ see the various rates advertised in the *North British Economist*, Jan 1891

⁴⁸ G. Jones, *British Multinational Banking 1830-1990*, (Oxford: Clarendon Press, 1993), pp. 63-65; D. Greasley & L. Oxley, "A tale of two dominions: comparing the macroeconomic records of Australia and Canada since 1870", *Economic History Review.*, LI, (1998), p.304

⁴⁹ *North British Economist*, No. 10, 1893

typified the view of financial services as a segmented sector wherein specialised companies offered a particular range of services in compartmentalised markets⁵⁰.

However, the stasis that affected banking in Scotland was not entirely self-imposed as whatever the general managers might agree to another more implacably conservative influence emerged towards the end of the nineteenth century. In 1896 D.R.W. Huie, then Royal Bank Cashier, proposed charging customers who deposited shares for safe-keeping and accepting partial responsibility for the shares. He had unsuccessfully proposed the scheme before (and it was considered again after the First World War), but did not expect it to succeed for, as he confided to the Treasurer (general manager) of Bank of Scotland:

"I know that even though my views are approved by the Scotch banks, no real progress can be made until the English banks are also convinced"⁵¹.

The English banks, then also in the process of replacing competition with co-operation, rejected such a radical change.

Geographically and competitively constrained, the relative scale of Scottish banking declined. Whereas until the 1880s to be 'of Scotland' denoted a bank unmatched in size anywhere else in the world, thereafter it signalled a more regional status. The City of Glasgow Bank when it failed with total liabilities of £12.4 million and 133 branches, had dwarfed the substantial English Bank brought down in its wake, the West of England and South Wales District Bank, which held total liabilities of £3.4 million and operated 49 branches⁵². However, by then a sustained process of concentration driven by merger was already underway in England⁵³. As in Scotland, small country banks gave way to joint stock banks operating at a regional then national level. However, the process went further in England, culminating in the emergence of the Big 5 during the First World War. Concentration and the greater scope for business in England saw English banks overtake then dwarf the Scottish banks. For example, in December 1917 the

⁵⁰ M. Collins, *Money and Banking in the UK A History* (London: Routledge, 1988), pp. 201-202

⁵¹ RB 474, Letter from D. R. W. Huie to Sir George Anderson, 5th Oct. 1896,

⁵² M. Collins, "The banking crisis of 1878", *Economic History Review*, XLII, (1989), p. 530

⁵³ F. Capie & Rodrik-Bali, G, "Concentration in British Banking 1870-1920, *Business History*, 24, (1982), pp. 280-292

Table 2.2. *Liabilities of the Scottish Banks 1865-1939, (in £millions at current prices)*

Year	Bran- ches	Deposits	Notes	Other liabil- ities	Capital	Reserve	Total liabil- ities	UK GDP at market prices
1865	693	59.62	5.33	2.77	9.43	3.10	80.26	1040
1870	772	63.23	5.51	5.08	9.40	3.63	86.85	1153
1875	910	81.54	6.59	8.21	9.79	4.99	111.11	1317
1880	891	77.92	5.58	4.87	9.05	5.05	102.48	1379
1885	934	81.52	5.76	3.98	9.05	5.76	106.09	1315
1890	975	91.93	6.50	5.05	9.05	5.73	118.26	1468
1895	1013	94.34	7.27	4.61	9.30	6.86	122.38	1546
1900	1075	107.35	8.09	4.89	9.30	8.06	137.69	1922
1905	1159	100.95	7.54	5.48	9.30	9.08	132.35	2088
1910	1221	106.48	7.13	5.32	9.23	9.50	137.65	2216
1915	1251	140.41	12.55	6.53	9.23	8.10	176.82	3183
1920	1283	279.23	29.36	11.37	10.08	9.13	339.17	5982*
1925	1536	240.94	21.67	9.68	11.41	14.13	297.84	4644
1930	1659	256.08	21.40	7.88	13.10	19.02	317.49	4685
1935	1868	308.50	21.89	15.25	13.52	19.87	379.03	4721
1939	1854	331.06	26.24	18.24	15.29	20.61	411.45	5958

. * Southern Ireland excluded from this point.

Sources: Table 44 in S. Checkland, *Scottish Banking A History, 1695-1973*, UK GDP at Market prices derived from National Accounts Table 5, B. R. Mitchell, *British Historical Statistics*

Midland Bank held £220,552,000 on deposit and in 1919 operated 1,444 branches compared to the Scottish banks' combined deposits of £196,540,000 in 1917 and 1,264 branches in 1919⁵⁴.

Within this framework of relative decline the annual accounts published by the banks from 1865 allow the growth and changing composition of Scottish bank liabilities and assets to be examined (see tables 2.2 above and 2.3 below)⁵⁵. Collins explains that in English banking "as the banks became larger and the business of banking more secure, a smaller capital base would be needed to maintain public confidence or to act as a buffer against future losses"⁵⁶. Similarly, in Scotland capital declined almost continuously from 15.62 per cent of

⁵⁴ Figures for Midland Bank derived from W.F. Crick & J. E. Wadsworth, op. cit., p.323 & 347; Scottish figures derived from S. G. Checkland, op. cit., table 44, p. 745

⁵⁵ S. G. Checkland, op. cit., pp. 729 - 751

⁵⁶ M. Collins, "The Business of Banking: English Bank Balance Sheets, 1840-80", *Business History*, 26, (1984) p.49

total liabilities in 1865 to 10.74 per cent in 1914, despite frequent additions to reserves. This left deposits, the banks' primary lending resource, the largest single form of bank liability. Deposits increased gradually from 74.28 per cent of total liabilities in 1865 to 77.36 per cent in 1910, then 78.94 per cent in 1914. Adjusted to 1913 prices, deposits grew at 1.99 per cent per annum from 1865 to 1885, increasing as a percentage of UK Gross Domestic Product from 7.72 per cent to 8.07 per cent. From 1886 to 1914 growth slowed to an average of 1.24 per cent per annum, consequently the banks held a declining share of British bank liabilities, while deposits fell to 6.21 per cent of UK GDP in 1910.

That the banks held a smaller slice of a growing British cake before 1914 is unsurprising given the growth of banking in England and the development, expansion and diversification that occurred across the financial services sector in which Scottish entrepreneurs and companies were leading figures. Life assurance companies offering pension schemes and annuities prospered and in 1887 the three largest Scottish companies were the largest in Britain. Investment trusts, pioneered in Dundee and Edinburgh in 1873 to channel funds overseas, increased in number, while the share manias witnessed earlier in the century had given way to professional stockbrokers catering to the needs of clients on stable local exchanges where dealing took place in a growing range of stocks and shares⁵⁷. All these developments increased competition for the surplus funds of the middle classes at the same time as competition for the smaller saver intensified. The Post Office savings bank established in 1861 joined the thriving savings bank movement of which the Glasgow Savings Bank was the largest and most influential of

⁵⁷ For the development of the Scottish financial sector see R. Michie, *Money, Mania and Markets* (Edinburgh: John Donald, 1981); C. W. Munn, "Financial institutions and the Scottish financial centre in the inter-war years", in S. J. Connolly, R. A. Houston and R. J. Morris (eds), *Conflict, Identity and Economic Development Ireland and Scotland, 1600-1939*, (Edinburgh: John Donald, 1995); and "The emergence of Edinburgh as a financial centre", in A. J. G. Cummings and T. M. Devine (eds) *Industry, Business and Society in Scotland since 1700*, (Edinburgh: John Donald, 1994); C. Schmitz, "The Nature and Dimensions of Scottish Foreign Investment, 1860 - 1914", *Business History*, 39, (1997), pp. 42-68

its kind in Britain⁵⁸. Friendly societies offering a range of saving schemes for avoiding the economic consequences of illness, short-term unemployment and the ignominy of a pauper's grave also attracted a growing number of members.

These developments constituted a phase of 'financial sophistication' wherein a range of financial services and institutions developed in response to the needs of a maturing and increasingly sophisticated economy's demand for a variety of financial assets⁵⁹. But, in an increasingly competitive and diverse market the actions of the banks undoubtedly contributed to the relative decline in deposits. The consolidation of the branch networks, the sustained reduction in interest paid plus the collective refusal to diversify the range of services on offer increased the appeal of alternative methods of saving and investing. As deposits were only sought when they could be profitably and securely placed, this apparent reticence is best explained by a combination of conservatism and the self-confessed difficulties experienced in finding suitable lending opportunities in Scotland⁶⁰. Fewer deposits avoided the pressure faster growth would have placed upon the banks to find new lending opportunities or additional lines of business. Therefore, it was in keeping with the apparent conservatism of the banks and ensured the 'A and Us' remained intact and in place.

On the other side of the account the changing composition of bank assets provides further evidence of cautious conservatism. In theory the Scottish adherence to the principle of mutually self-liquidating assets and liabilities obviated the need to hold liquid reserves. In practice advances were never perfectly liquid and banks

⁵⁸ On savings banks in Scotland see A. Slaven and M. Moss, *"From Ledger Book to Laserbeam"*, (Edinburgh: TSB Bank Scotland, 1992)

⁵⁹ For a discussion of 'financial sophistication' see M. Collins, 'The Growth of the firm in the domestic banking sector', in M. W. Kirby and M. E. Rose op. cit.

⁶⁰ For a brief survey of how bankers saw their prospects in Scotland at this time see the selected comments from annual reports included in A. Kerr, "Profit and Loss", in A. Kerr (ed); A. Cameron, *Bank of Scotland 1695 - 1995 A Very Singular Institution*, (Edinburgh: Mainstream, 1995), p. 146 & p. 161, refers to the "continued difficulty of finding profitable new lending opportunities in Scottish industry"

Table 2.3. *The Assets of the Scottish Banks 1865-1939, (in £millions at current prices)*

<i>Year</i>	<i>Advances</i>	<i>Invest-ments</i>	<i>Liquid Assets</i>	<i>Property</i>	<i>Total Assets</i>
1865	56.78	10.64	11.75	1.08	80.26
1870	61.54	11.48	12.61	1.21	86.85
1875	80.78	13.77	14.99	1.58	111.11
1880	65.01	16.66	18.15	2.66	102.48
1885	65.70	18.58	19.07	2.74	106.09
1890	63.94	26.97	24.28	3.07	118.26
1895	67.61	26.17	25.20	3.41	122.38
1900	74.88	25.94	32.81	4.06	137.69
1905	74.72	24.00	29.22	4.41	132.35
1910	75.79	26.16	31.07	4.63	137.65
1915	68.29	60.86	43.04	4.64	176.82
1920	145.21	113.08	76.38	4.50	339.17
1925	129.33	103.24	60.34	4.93	297.84
1930	142.62	106.38	63.80	4.68	317.49
1935	115.88	182.59	75.87	4.70	379.03
1939	130.74	187.01	88.87	4.83	411.45

Source: table 44 in S. Checkland, *op. cit.*, pp. 743-746

operated with what Presnell describes as a 'basket of assets' of varying degrees of liquidity used to meet routine demands for cash⁶¹. Cash (gold and silver coin, the notes of other banks and of the Bank of England and balances with the Bank of England), money at call and short notice (loans to other banks and financial institutions for very short periods and readily convertible to cash if needed) and negotiable securities (primarily British government Consols) formed the liquidity reserve.

Once the reserve was set the remaining assets were used for lending, which took three main forms. First, banks discounted bills of exchange. As cheques largely replaced bills of exchange in British commerce, the discount business of the banks was increasingly concerned with bills used in international trade. Properly managed, bills made up a portfolio that regularly turned over. A certain proportion

⁶¹ quoted in J. E. Wadsworth, "Banking Ratios Past and Present", in C. R. Whittlesey and J. S. G. Wilson (eds), *Essays in Money and Banking*, (Oxford: Clarendon Press, 1968), p. 230

were due each day, while a bill issued by a firm of good reputation was potentially a highly liquid asset as it could be re-discounted - sold on to another party before payment was due - although on principle banks refused to do this for much of the period⁶².

Second, banks lent against stocks and shares, a practice pioneered in Scotland by the short-lived exchange banks specifically formed to lend against railway shares⁶³. Initially it was feared this would encourage gambling in shares and the banks remained formally aloof until the winter of 1847-8 when the exchange companies, inherently unstable due to the narrow scope of their business, collapsed. Thereafter, the banks cautiously adopted this line of business.

Third, banks lent to individuals, trade, industry, voluntary and public sector organisations via cash credit and advances. Both facilities were repayable on demand. The cash credit functioned in much the same way as an overdraft, customers were granted a credit line they were free to draw on and repay at will. Ideally, cash credits covered timing differences between cash entering and leaving a business, however, Munn has shown accounts often acquired outstanding debits that remained unpaid for years⁶⁴. Thus, banks to an unknown extent provided medium, possibly even long-term capital besides meeting working capital requirements.

As a general rule the more liquid an asset; the ease and rapidity, with which it was convertible to money and available to meet the withdrawal of deposits, the less remunerative it was, placing profitability in potential conflict with security. With no legal guidelines or restrictions in place the banks were formally free to set their own liquidity ratios: the relationship between the liquidity reserve and the total balances customers held in their accounts. Until 1878 the Scottish

⁶² M. Collins, (1988), op. cit., pp. 106-111

⁶³ S. G. Checkland, op. cit., pp. 342-345; A. Kerr op. cit., pp. 213-17

⁶⁴ C. W. Munn, "Aspects of Bank Finance for Industry: Scotland 1845 - 1914", in R. Mitchison and P. Roebuck (eds) *Economy and Society in Scotland and Ireland 1500 - 1939*, (Edinburgh: John Donald, 1988B)

banks adhered to what Checkland named after the general managers of Bank of Scotland and the British Linen Bank the Blair-Corrie doctrine⁶⁵. This held a bank should hold assets in highly liquid forms to the value of a quarter to a third of the sum of its note issue and deposits, with the remainder available for lending. Only the ill-fated Western Bank dissented from this doctrine, indeed, until 1878 the overall tendency was to err slightly on the side of caution as the liquidity reserve generally accounted for slightly more than a third of deposits plus notes.

The high proportion of bank assets held in highly liquid forms reassured the public until the City of Glasgow Bank failure sparked off what Collins identifies as a British-wide liquidity crisis⁶⁶. With self-conscious calm the general managers acted to restore public confidence. However, the content of internal discussions belies the carefully projected calm exterior. Even at Royal Bank, which operated with state sanctioned limited liability a substantial memo was prepared with outside legal advice detailing precisely the nature of its limited status⁶⁷. The memo was soon used to reassure concerned shareholders at the next annual general meeting⁶⁸. Every bank introduced a range of other measures to restore confidence: they stopped dealing in their own shares, a practice brought into disrepute by the City of Glasgow Bank; and appointed independent auditors to inspect their annual accounts. The audit became what Power describes as a ritual of "risk reduction"; a transparent means of inhibiting such deviant behaviour as had been exhibited at the City of Glasgow Bank to the satisfaction of shareholders and customers⁶⁹. The unlimited concerns also adopted limited liability under the terms of the 1879 Companies Act, itself a response to the failure, establishing reserve capitals to be called upon in the event of

⁶⁵ S. G. Checkland, *op. cit.*, pp. 448-450

⁶⁶ M. Collins (1989), *op. cit.*

⁶⁷ RBM 23rd Oct. 1878

⁶⁸ RBM 22nd and 25th Nov., 1878

⁶⁹ M. Powers, "The Audit Society", in A. Hopwood & P. Miller (eds), *Accounting as Social and Institutional Practice*, (Cambridge: Cambridge University Press, 1994)

failure to meet the liabilities of the banks beyond the value of their existing capitals.

Besides these tangible effects the failure had further psychological consequences. Checkland described it as the great event in the lives of Scotland's bankers, one "conditioning thought and actions, placing a great premium on safer and more conservative banking"⁷⁰. The failure was accordingly followed by a long-term shift in the composition of bank assets towards more liquid forms. By 1888 investments plus liquid assets (including cash and money at call) had increased to 49.94 per cent of deposits plus notes. This prompted Kerr to conclude that amongst the general managers "(t)here appeared to be a consensus of resolution towards strengthening their position"⁷¹. A larger liquidity reserve became the new orthodoxy while investments grew to an extent that prompted Kerr to suggest in the 1890s:

"the conduct of investment threatens to become as outstanding a department of the banks' business as their legitimate vocation of banking" (meaning advances)⁷².

This change was institutionalised by the first generation of clerks sent to work in the London offices where they gained experience in this style of banking, returning to Scotland in the 1880s to manage the banks. Until then Glasgow (Edinburgh and Leith served a similar purpose for the Glasgow based banks) had been the training ground for future general managers, afterwards London replaced it and by the 1900s all the major banks were part of this trend.

Checkland suggested this shift in assets was an excessive reaction; having lent to the hilt until 1878 the banks swung to the other extreme. In mitigation Collins notes British banks understood their public preferred to see them holding a substantial proportion of their assets in highly liquid forms, which the publication of annual accounts

⁷⁰ S. G. Checkland, *op. cit.*, p.478

⁷¹ A. Kerr, "Characteristics of the Period", in A. Kerr (ed), p. 11

⁷² A. Kerr, "The General Position", in A. Kerr (ed), *op cit.*, p. 24

allowed to be readily assessed⁷³. Perhaps the banks were also conscious of who their shareholders were, for example, two fifths of Bank of Scotland and Commercial Bank shareholders in the 1870s were women, two-thirds of whom were single⁷⁴. Whereas Argentinean tramways were for the adventurous, a bank was something a maiden aunt could feel safe investing her life savings in, and rightly so given the retention of public confidence was essential to banking. Moreover, after 1878 bank liquidity was repeatedly subject to critical inquiries prompted by events the banks had neither control over nor much involvement in, including the Barings crisis in 1890 and the Australian crisis in 1893⁷⁵. Furthermore, the formal freedom implied by self-regulation occurred within tacit parameters set by government. Bank legislation remained predominantly reactive throughout the nineteenth and early twentieth centuries; however, the threat of legislative intervention was used to steer banking. Thus, in 1907 the Chancellor of the Exchequer sent for the general managers of three London banks and explained to them that he preferred not to legislate if the banks voluntarily strengthened their positions by holding 12 and a half per cent of their assets in cash, 12 and a half in money at call and 25 per cent in investments and loans on the stock exchange leaving the remaining 50 per cent left over for advances⁷⁶. Finally, bank deposits changed in nature. In the more complex and competitive financial services sector of the late nineteenth and early twentieth centuries Kerr explained:

"the character of the deposit money has largely changed. The investment deposit which used to lie year after year undisturbed, except for interest calculation, is a thing of the past. Bank deposits are now funds *in transitu*, or at best, awaiting a more favourable opportunity for investment."⁷⁷

⁷³ M. Collins (1988A), pp. 241-242

⁷⁴ E. J. Hobsbawm, *Industry and Empire*, (London: Penguin, 1969), p. 119

⁷⁵ J. E. Wadsworth, op. cit., p. 234

⁷⁶ On the reactive nature of bank legislation see the numerous excerpts included in B. L. Anderson and P. L. Cottrell (eds), *Money and Banking in England The Development of the Banking System, 1694-1914*, (London: David and Charles, 1974)

⁷⁷ A. Kerr, "The General Position", in A. Kerr (ed), p. 16

Greater volatility made an enlarged liquidity reserve necessary to ensure any sudden large-scale withdrawals could be readily met.

Even so some doubts must remain. The use of time deposits to maintain or even reduce pre 1878 liquidity ratios was rejected, while the growing emphasis on investment persisted despite the falling worth of Consols following the 1888 conversion of the national debt⁷⁸. The scope of bank investments was broadened in response, but only so far as local and foreign government securities, and British and Indian railway debentures, each a highly secure and liquid asset⁷⁹. However, although conservatism played a part so did the economic logic of the competitive environment the banks maintained. Credit is only ever provided in exchange for a promise to repay, while price is an insufficient means of eliminating opportunistic behaviour; a promise to repay at either a high or low rate is not proof of repayment⁸⁰. Nevertheless, the risk of default or loss attached to individual credits varies, for example, in relation to the adequacy and realisability of the security held. Yet the setting of common rates by the "A and Us" left little or no incentive to diverge from what were judged acceptable forms of lending as there was no scope for factoring assessments of risk into the cost of individual credits. Long term lends, for instance, as a rule entail higher risk due to the greater scope for default to occur, yet were no more remunerative than short-term credit facilities despite the greater likelihood of bad debt being incurred.

After decades of stable, but uninspired growth, the First World War presented an opportunity taken to reflect upon the future direction of banking and in expectation of this a number of general managers retired, making way for younger men. Various schemes were discussed, the most significant being the proposal to establish a joint

⁷⁸ C. K. Harley, "Goschen's Conversion of the National Debt and the Yield on Consols", *Economic History Review*, XXIX, (1986), pp. 101-106

⁷⁹ RB 419 Annual accounts

⁸⁰ A. Godley and D. Ross, "Introduction: Banks, Networks and Small Firm Finance", *Business History*, 38, (1996), pp. 1-10

foreign bank. However, this produced few tangible results. But, regardless of this the financial environment the banks operated in underwent fundamental change due to the increase in government borrowing to finance the war effort. The volume of government debt - financed by Ways and Means advances and Treasury Bills, the traditional source of bank liquidity - increased from £16 million just before the outbreak of war, to an eventual £1.4 billion in March 1919⁸¹. This development quickly, then permanently registered in the Scottish banks' balance sheets as every bank played a part in helping to finance the war.

Transition, 1918 - 1939

Scottish banking was subject to a series of profound challenges between the wars. Its independence was threatened by a series of affiliations with much larger English banks immediately after the First World War. The world economy entered into a period of prolonged depression. Competition in the financial services sector became more intensive, with various new ventures, including the development of Municipal Banks by local government as an alternative to borrowing, and occasional forays into commercial lending by insurance companies, challenging the banks' dominance of short-term credit provision. Yet the banks emerged relatively unscathed towards the end of the 1930s, indeed, most were much larger organisations. However, whereas Checkland suggests "(t)he inter-war years brought a curious confirming of the Scottish banking pattern"⁸², the following section identifies a number of significant developments. Competition intensified and began finding new outlets and each bank rediscovered a degree of individuality by adopting a unique strategy in pursuit of the common goal of scale. However, this proved an often frustrating process as various proposals and initiatives were held in check by the continued

⁸¹ F. Capie and G. Wood, op. cit., p. 233

⁸² *ibid.* p. 717

commitment to collective agreement. In addition it is argued that the conduct of banking gradually changed during the Edwardian and inter-war eras.

The English affiliations were the first significant development between the wars. An early sign of English intentions came in 1916 when the Midland Bank purchased premises in Glasgow, a gesture used elsewhere to encourage smaller banks to consider amalgamation or face intense competition. Then, in 1917 Midland Bank acquired the Belfast Banking Company as an affiliate, a novel arrangement that preserved the separate identity, semi-independence and note issuing rights of the smaller concern⁸³. The 1918 decision by the Governor of the Bank of England to bar any further mergers or acquisitions in England due to public fears over the emergence of a money trust, confirmed the English interest in expansion elsewhere in the British Isles⁸⁴. First, Lloyds Bank affiliated with the National Bank in 1918, then Barclays Bank affiliated with the British Linen Bank in 1919. Finally Midland Bank acquired the Clydesdale Bank and North of Scotland Bank as affiliates in 1920 and 1924 respectively. Affiliation prompted fears among the unaffiliated banks that the 'A and Us' would no longer be workable. However, the autonomy enjoyed by the affiliated banks quickly allayed this fear, indeed, the 'A and Us' remained in place until they were ceremonially burned and the ashes placed in an urn in 1965⁸⁵.

The 'A and Us' also continued despite tensions, which emerged primarily in response to initiatives emanating from the Union Bank of Scotland. To a greater extent than any of its rivals Union Bank, managed by Arthur Gairdner until 1920 then by Norman Hird, proved a source of new ideas. It was Gairdner who pioneered the provision of

⁸³ For discussions of affiliations see C. W. Munn (1988A), pp. 155-162; W.F. Crick and J. E. Wadsworth, *op. cit.*, (1936), pp. 360-362 & pp. 405-406

⁸⁴ Even before the bar on further concentration, bank mergers in England were subject to intensive scrutiny and delay, see for example the merger of the Midland Bank and the London Joint Stock Bank only eventually allowed in 1918; W.F. Crick & J. E. Wadsworth, *op. cit.*, p.347

⁸⁵ A. Cameron, *op. cit.*, p. 215

trustee and executry services in 1917 (English banks had done so since the Public Trustee Act of 1906). He also proposed forming a joint-bank to deal exclusively in foreign business. Instead, this revealed how the personal preferences of the general managers and the politics of their committee acted as a brake on change. Proponents of the venture explained "we all know that Mr. Cockburn [the National Bank manager] will not do anything to help things on ... his attitude is quite plain, that he is coming near the end of his term and does not want to be bothered with anything new"⁸⁶. In 1920 a frustrated Gairdner left to manage a bank dedicated to foreign business formed largely under the auspices of the Union Bank. Hird was as innovative as his predecessor and subsequently scoured the US for 3 months in search of new ideas. However, he was also more forthright and having spent most of his career in London had little experience of the subtle competition practiced in Scotland, plus a willingness to take unilateral action that provides evidence of vision, but insufficient tact⁸⁷. For example, in 1924 Union Bank began advertising despite this activity being proscribed by the 'A and Us'. The adverts were quickly withdrawn following protests from other general managers. Modest cracks eventually appeared in the 1930s when banks began placing a carefully watched quota of adverts in a limited number of Scottish journals and were given discretion to advertise locally where the cost did not exceed £5⁸⁸. In addition the official bank histories published during this period provided a novel means of circumventing advertising restrictions as deluxe editions were given and lent to specially selected existing and potential customers.

⁸⁶ CS 205, Letter to Commercial Bank General Manager; for an outline of this scheme see S. G. Checkland, *op. cit.*, pp. 561-562

⁸⁷ For accounts of Norman Hird see S. G. Checkland, "Foreword" in N. Tamaki, *op. cit.*; A. Cameron, *op. cit.*, pp. 177-179

⁸⁸ Minutes of Meeting of the Committee of Scottish bank General Managers, dated 12th Oct. 1936 and 10th Oct. 1938, NC 25

However, Union Bank was not the only independent bank to seize the initiative. The general managers of Bank of Scotland and Royal Bank made clear to the Macmillan Committee in 1931 the benefits of moderate size - flexibility and the greater proximity of decision makers to customers. Yet their actions betray an often frustrated concern with the achievement of scale. The independent banks opened on average 115 branches each during the years 1918 to 1938, compared to the 50 opened by the affiliated banks⁸⁹. The most vigorous in this respect was the Commercial Bank, which opened 174 branches during this period, making it the largest bank in Scotland, though not the largest Scottish bank⁹⁰.

Other unaffiliated banks pursued additional strategies. Bank of Scotland unsuccessfully sought to merge with other Scottish banks. Negotiations with the North of Scotland Bank ended when the smaller concern chose semi-independence with the Midland Bank. Subsequent negotiations with the Union Bank failed largely because of personality differences; in 1930 the Bank of Scotland board refused to accept the possibility of Norman Hird becoming manager of the merged bank, leaving Union Bank to pursue its uniquely innovative ventures detailed above.

Whereas Bank of Scotland remained a frustrated suitor, Royal Bank achieved more success through a unique strategy of acquiring English banks, which saw it remade as Scotland's largest bank. In this way it overcame the reduced scope for a Scottish merger following the English acquisitions and circumvented the restrictions on competition in Scotland. In what commentators described as a turning of the tables Royal Bank first acquired the London based private bank Drummonds in 1924, affiliated with Wm. Deacon's Bank, a joint-stock concern

⁸⁹ In descending order the number of branches opened by each bank c.1918-1938 were Commercial Bank 208, Bank of Scotland 99, Royal Bank 90, British Linen 68, National Bank 68, Union bank 61, Clydesdale Bank 50 and North of Scotland Bank 14., RB 419 "Number of Branches of Scottish Branches", pp. 104-108

⁹⁰ *ibid.*

operating in the North of England, in 1930, then acquired the largest surviving London private bank, Glynn Mills and Co. in 1939.

This pursuit of scale by various means was successful to the extent that by the standards of industrial enterprise in Scotland banks were substantial concerns. For instance, each began the interwar period employing approximately a thousand staff. But they remained modest by international standards. A table compiled by an American bank in 1929 ranked the 150 largest American, British, Colonial and Dominion banks by deposits; the English Big 5 came first with Midland Bank leading at \$1,920,278,206, while the largest Scottish Bank, Royal Bank, was fifty-third with \$217,406,756⁹¹.

Minor innovations and tensions aside competition continued to occur through prescribed channels, though more intensively than before. The increase in the number of bank branches was a notable development given the depressed state of the Scottish economy between the wars. The density of banking increased once more (see table 2.1) and by 1937 each branch served on average 2646 people, a level unmatched anywhere else in the British Isles, while the size of each branch network became something of a status symbol⁹². More practically the expansion of the networks was integral to the introduction of savings accounts in 1928, the most significant service innovation between the wars. In the nineteenth century banks had prided themselves on their use by all sectors of society, rich and (relatively) poor. However, the expansion of the savings bank movement made banks increasingly exclusive places. The introduction of savings accounts offered to reverse this process. They earned higher interest than funds held on deposit receipt and were carried to their intended market by the opening of branches in the growing suburbs

⁹¹ "The Deposit Liabilities of One Hundred and Fifty of the Largest American, British, Colonial and Dominion Banks" included in the letters of the General Manager of Royal Bank, RB 61/9, letter no. 1726

⁹² *ibid.* As well as branch totals over time the table includes data on the ratio of people to branches

and bungalow belts surrounding major towns and cities⁹³. The facility, complete with account books instead of deposit receipts and money boxes (piggy banks) for children, replicated what was already available from savings banks, though without the austere concern with inculcating thrifty habits. Although first proposed before the War, it was not until an anonymous contributor to the *Scottish Bankers' Magazine* drew attention to the success English banks had already achieved in this area that the banks introduced savings accounts⁹⁴.

In mitigation the banks were rightly concerned that savings accounts would result in existing deposits being transferred to the more highly rewarded account, increasing the cost of attracting the same volume of deposits. But, this argument also applied to England. Rather the unwillingness to introduce savings accounts provides further evidence of the collectively induced caution Scottish banking was subject to, and which rendered the banks followers rather than the leaders they had once been.

2.5 The conduct of banking

As banking became a more pervasive feature of Scottish society, the conduct of the banks' main representatives in towns and cities underwent subtle changes. In the branches banking was an intimate affair originally conducted by part time agents drawn from the communities they worked in. These were "men of business" whose occupational promiscuity defies any precise label⁹⁵. Most operated in a range of capacities as intermediaries between local clients and national institutions. Approximately a third of Royal Bank's agents in 1869 were lawyers, but they do not seem so different from the remainder. Drawing upon their professional expertise and financial acumen the

⁹³ *Scottish Bankers Magazine*, 1925, no. 68; On the development of urban settlements in Scotland see R. Rodger, "Urbanisation in Twentieth-Century Scotland", in T. Devine and R. J. Finlay, (eds) op. cit.

⁹⁴ *Scottish Bankers Magazine*, 1925, no. 68

⁹⁵ A. Cameron, op. cit., p. 206; Calculation based upon information contained in RB 309

agents at Arbroath, Brechin and Forfar were also agents for the Northern Assurance Company⁹⁶. The economic geography of Scotland intervenes to add colour as at Maybole, a rural town in Ayrshire, where the agent was also factor to a local landowner and at Port Glasgow where the agent in the 1850s was also agent for a firm of sugar merchants⁹⁷. Others added income yielding public duties. At Lossiemouth the agent combined banking with the collection of harbour dues and at Perth the agent was clerk of the peace⁹⁸. Others owned and controlled capital in their own right. There was the rentier income derived from owning shares and the petty capital of the small businessmen; at Stirling the Bank employed an ironmonger and at Dalkeith a farmer and merchant⁹⁹. To these small interests a Bathgate agent added his partnership in the Mid-Calder Mineral Oil Co.; a substantial concern judging by the £20,000 advance it received in 1866¹⁰⁰. This ability of agents to acquire interests in accordance with their qualifications and opportunity made branches; usually with the bank office downstairs, the agents' chambers on the first floor and his living quarters above, centres offering a range of professional and financial services. Indeed, the banks' dense branch networks were ready-made outlets for other service providers and educated consumers in the use of financial services. This prevents the under-representation of service sector employment in Scotland relative to England translating directly into lesser access to professional and financial services¹⁰¹.

Business was expected to flow from an agent's connections and other interests as under the terms of the "A and Us" agents were barred from canvassing or even leafleting the customers of rivals. To be

⁹⁶ RBM 13th Jan. 1858

⁹⁷ RBM 14th Feb. 1849 and the 9th Oct. 1861

⁹⁸ RBM 19th Sept. 1855 and 30th Jul. 1856

⁹⁹ RBM 9th Sept. 1846 and 10th May 1848, RB 307 entry for Stirling

¹⁰⁰ RBM 18th Apr. 1865 and 13th Mar. 1866

¹⁰¹ C. Lee, "Modern Economic Growth and Structural Change in Scotland: the Service Sector Reconsidered", *Scottish Economic and Social History*, 3, (1983), pp. 5-35

successful agents were obliged to become social entrepreneurs who pursued public life for profit, becoming "well kent faces" in earshot or in mind whenever a business opportunity arose. Agents were stalwart supporters, members and, in a self-conscious display of financial acumen, treasurers of numerous local societies where they hoped to meet the ideal customer; one who would attach his interests and those of his associates' to a branch. Hence a Duns agent described a connection he had formed as follows: "gradually becoming a good customer and bringing a number of good people about us"¹⁰². However, playing an active part in small-town society was always more than a matter of being seen and known. An agent's place in public life gave access to local knowledge concerning the character of customers and their businesses. For instance, when asked by the Royal Bank Cashier about a proposed guarantor the Duns agent, after confessing the subject was a stranger to him, compiled the following details; he had moved to Duns the previous May from Calcutta where he had been a merchant with an estate worth thousands of pounds, which, in a matter still to be resolved, had been improperly sold by the Oriental Bank. His style of living suggested an annual income of £1,000 to £1,500 and he had taken the tenancy on a farm and laid out substantial sums on it, indicating he was intent on remaining to remain in Duns for some time. But, although his annual accounts at the grocers and the butchers had been paid, other accounts remained outstanding and the stranger's apparent independence was difficult to reconcile with the handsome annuity he was thought to receive from his mother in Carlisle¹⁰³. This compilation of facts and gossip was the work of an agent eager to please, however, its concerns; the income, assets, past-behaviour, prospects and connections of the stranger, were universal and remained the substance of bank inquiries. Gaining access to such information enhanced the banks' ability to lend safely.

¹⁰² B976/1 letter dated 14th Apr. 1857

¹⁰³ Duns branch letter book B 976/5/2, letter dated 30th Jan. 1862

An agent's reputation largely determined the success of his branch. This became evident in Hawick where the Royal Bank agent James Carmichael alienated much of the town after becoming involved in a series of public disputes. Carmichael initially appeared an ideal agent; he was clerk to a local gas company, a Procurator Fiscal, a Justice of the Peace and treasurer of the Hawick Corn Exchange¹⁰⁴. His public life was just as active and when a local volunteers regiment was formed in 1860 he became its honorary secretary. Then in 1861 the regiment split over the appointment of officers and dissatisfied volunteers, led by a Councillor George Fraser, established a rival regiment¹⁰⁵. The second regiment collapsed following a high-spirited disagreement at a New Years party, which resulted in Fraser being expelled from the volunteer movement. But, with Fraser cheered on at a public dinner, the split was maintained by the establishment of a breakaway Masonic lodge to rival the existing lodge also formed in 1860. In 1868 the town divided once more over the appointment of its Liberal parliamentary candidate¹⁰⁶. Carmichael was associated with the provost who favoured George Trevalyan; George Fraser preferred a Mr. George Elliot and organised a committee of over 200 townsmen to win him the nomination. Trevalyan won the candidacy and the election, shortly afterwards Fraser became provost. Table 2.4 below depicts how Carmichael's troubled public life adversely affected his branch. Unlike Jedburgh and Galashiels the population of Hawick increased in the 1860s, yet the deposit figures for 1858 and 1869 indicate that of the four main Royal Bank borders branches Hawick was uniquely unsuccessful in attracting

¹⁰⁴ for details of the various positions held by bank agents and bank accountants in Hawick see *The Southern Counties Register and Directory* (1866), pp. 307-323; James Edgar, *Hawick in the Early Sixties*, (Hawick: 1913), pp. 55-56 & 87-90; *The Provosts of Hawick, 1861-1931*, (Hawick: 1933)

¹⁰⁵ J. Edgar, op. cit., pp. 129-157

¹⁰⁶ See issues of the *Hawick Advertiser* from July to November 1868 for details of the dispute.

Table 2.4. *Deposits and Competition at Royal Bank branches in the Scottish borders, 1858-1872 (£s at current prices)*

Year	Hawick			Melrose			Galashiels			Jedburgh		
	A	B	C	A	B	C	A	B	C	A	B	C
1858	10,000	-	4	-	-	2	12,000	-	3	29,000	-	4
1869	11,785	97		74,761	535		40,015	211		30,279	198	
1870	20,526	124		63,016	550		37,608	229		32,725	212	
1871	30,806	-		71,738	-		29,955	-		31,285	-	
1872	41,992	222	4	61,246	617	2	20,545	189	4	39,032	234	6

- A: Total deposits (from 1869 equals total amounts held on current account + deposit receipt)
 B: No. of deposit accounts (on current account and deposit receipt) held at each branch
 C: No. bank branches in each town

Source: RB 307, RB 309, & Glasgow Post Office Directories

deposits¹⁰⁷. When it appeared in 1870 that the Clydesdale Bank was about to open a Hawick branch the board asked Carmichael to resign¹⁰⁸. Local politics now provided a solution to the branch's problems. Walter Haddon, then a young solicitor, had come to prominence as the secretary of the George Elliot campaign committee and was appointed agent¹⁰⁹. Where Haddon went his associates followed. The year he was appointed deposits rapidly increased and within three years had almost quadrupled.

The business of a branch, then, was attached to the agents first and the banks second with consequences for the outline of bank bureaucracy given above. Banks were bureaucratic organisations to be sure, governed by rules and operating with clearly defined areas of command and responsibility. However, local connections gave agents a degree of discretion sufficient to render head offices administrative

¹⁰⁷ For the population of towns in the Scottish Borders see Herdman, J. (ed) *The Third Statistical Account of Scotland Volume XXVIII The Country of Roxburgh*, (Edinburgh: Scottish Academic Press, 1992)

¹⁰⁸ The entry for Hawick in RB 309 notes the existence of a Clydesdale Bank branch, however, no branch appears to have been opened; RBM 27th and 31st May 1870

cores, which merely stewarded the activities of agents in their personal fiefdoms. This was problematic as the interests of agents did not always coincide with those of the banks¹¹⁰. Branches, although primarily established to gather deposits to be lent elsewhere, were run by agents who regarded an agency as an income yielding activity that complemented their existing range of interests, giving them and their associates direct access to banking facilities, including credit. A historian of the British Linen Bank conveyed the resultant conflict of interest:

"Agents, supreme in their several communities did as they thought proper, advancing money to those whom they trusted without bothering overmuch about securities and allowing debts to remain unpaid for long periods. They were immensely popular among their fellows but sometimes less so at Head Office"¹¹¹.

This was the situation at Brechin, the fiefdom of the Guthrie family who from the 1850s until the 1930s held the Royal Bank agency in conjunction with a legal practice and involvement in the East Mill Co., Guthrie, Martin and Co. (a distillers), Guthrie & Co. (based in Singapore) and Messrs. Guthrie, Craig, Peter & Co. (paper makers), substantial concerns that received Royal Bank credits ranging from £8000 in 1858 to £20,000 in 1907¹¹². The Guthries were aware of their importance and of their appeal to rival banks and regarded the branch and its business as belonging to them¹¹³. Thus, they were difficult to control and on occasion resisted head office instructions, for example, in 1884 the agent was repeatedly ordered "to stop further exertions" on behalf of the East Mill Co. and its individual partners"¹¹⁴.

¹⁰⁹ RBM 8th Jun. 1870. By 1870 Haddon was already a Sheriff Clerk Depute, a collector and distributor of stamps and taxes and an agent for the West of England Fire and Life Assurance Co. *The Southern Counties Register and Directory* (1866)

¹¹⁰ For a discussion of the Principal-Agent relationship see T. L. McCoy and D. L. Fisher, "A case of an early 1900s principal-agent relationship in the Mississippi lumber industry" in *Accounting, Business and Financial History*, 8, (1998), pp. 14-17

¹¹¹ C. A. Malcolm, (1950), p. 177

¹¹² RBM. 1st Feb. 1858, 6th Nov. 1866, 13th. Jan. 1873 and 9th Dec. 1881

¹¹³ For example, the agents described the branch as "our agency" RBM 12th Dec. 1860

¹¹⁴ RBM 9th Jul. 1884

This was never a wholly rural phenomenon. City branches tended to have a greater proportion of their business conducted via current accounts, which made them busier places than rural branches. They also served to gather deposits and performed the supportive function of carrying bank facilities to customers at the banks' major offices to ensure their business was retained. But, the first city agents were also men of business and exhibited a similar degree of discretion in their head office dealings. During the third quarter of the nineteenth century Alexander Waddel had his brother John appointed to assist him, then ran what was almost a bank within a bank; in 1870 their four branches in the East End of Glasgow held £227,000 on deposit, comparable to the £248,000 held that year by the Sheffield Union Banking Co.¹¹⁵ In 1876, with Alexander the dominant partner and John specialising in the cattle trade, the brothers persuaded an unwilling board to agree to advance £20,000 to a cemetery company they were involved in¹¹⁶. The proposition was unappealing because the bulk of the security offered was the intended cemetery, which, once the first body was buried, had no other legal use.

The administrative and accounting procedures of the banks were shaped by this tension between local interests and head office authority and cumulatively came to favour centralised control over local discretion, with consequences for the conduct of agents. After Walter Haddon's appointment Royal Bank staff were barred from taking any active part in parliamentary or municipal politics¹¹⁷. Thereafter the financial interests of agents were also made subject to head office approval, although this was negotiable when business was involved. Thus, after complaining an Ayton agent was allowed to maintain his involvement in the Fifeshire companies Messrs. Thomas Spowat & Co.

¹¹⁵ The four branches were at Calton, Duke St., Gallowgate and Bridgeton in the East end of Glasgow and their business is detailed in RB 309. Information on the Sheffield Union Bank derived from W.F. Crick and J. E. Wadsworth, *op. cit.*, p. 240

¹¹⁶ RBM 9th and 16th Aug. 1876

¹¹⁷ RBM 14th Jun. 1870

Collieries and the Lasodie Colliery Co¹¹⁸. Gradually, various incentives were introduced linking pay to deposit gathering. Branches were placed in classes according to the volume of deposits they held and agents paid according to the class of branch they managed. They were also paid commissions on the deposits they attracted and internal credit markets were devised wherein branches that advanced more than they held on deposit were charged punitive rates for the necessary funds, cutting the profits used as an indicator of agent performance¹¹⁹. Often such measures were introduced after a part-time agent's disastrous involvement in a local business, indicating the experience of bad debt encouraged tighter central controls over branch lending.

The eventual solution to the problem of local discretion was the replacement of part-time agents with full-time officials, which reduced monitoring costs and opportunism as full-time agents lacked the other interests that had made their predecessors so appealing in the first place, but difficult to control. However, this transition, though encouraged and welcomed by staff, proved gradual¹²⁰. Andrew Kerr argued that the banks:

" were supporting a large array of country lawyers and tradesmen for the sake of their 'countenance' (the work being done by bred bankers in a subordinate capacity), they were yearly accumulating in their service, at slowly increasing salaries, large bodies of men who, qualified by years of service, would gladly have undertaken both the responsibilities and the duties for the same remuneration as is paid the agents, and leave their clerical duties to be performed by younger men at smaller salaries Branch work would be cheaper and better done, as, with professional agents, extra assistance might to some extent be dispensed with"¹²¹.

¹¹⁸ RBM 14th Sep. 1859

¹¹⁹ RBM 17th Sept. 1873. The order the scheme imposed can be seen in RB 484/S; The first agent appointed on these terms is described in RBM 30th Mar 1891, by the 1920s approximately a third of the Bank's agents were on commission; IOB 2/1/22, anon., "The Practical Administration of a Branch Bank Office", 1901 Prize essay (2nd place), p. 17

¹²⁰ *Scottish Banker*, vol. V, No. 2, Feb. 1927, p. 23

¹²¹ A. Kerr, "Bank Officers", in A. Kerr (ed) op. cit., p. 137

But besides their countenance part-time agents often received lower salaries than full-time officials and remained an inexpensive way of opening branches. Consequently, part-time agents were confined to a specific stage in the life cycle of a branch; a local businessman would open a branch, then make way on his on retirement for a full-time official.

This transition constituted a change in the attributes deemed necessary for business success. The loyalty and technical expertise of full-time staff, assessed throughout their careers, was rarely questioned. These attributes gained precedence over the part-time agents' business acumen and local connection, a transition that paralleled the emergence of the career general manager. Few of the well-connected Scottish professionals previously recruited possessed the experience necessary to manage what had become substantial organisations operating at a Scottish, British then international level. The poor performance of the Stirling solicitor appointed to manage Clydesdale Bank in 1880 probably encouraged every bank to confine itself in future to trained bankers¹²². The general managers became men who began as apprentices then worked their way to the top of the banks they eventually managed. Their knowledge of banking and the banks they managed was assured, their abilities, gauged over decades of loyal service, undoubted, and they were unembarrassed by any of the personal dealings their predecessors had once had with customers. Thus, at a greater remove the career general manager and full-time agent constituted an ideal of the disinterested professional only ever guided in his actions by what he considered to be in the best interests of his bank¹²³.

However, the greater distance between agents and communities strained the ties that had previously attached customers to the banks. It

¹²² C. W. Munn (1988A), pp. 316-319

¹²³ However, Cameron notes full-time agents also became attached to local interests, which could result in a lax approach to lending. To rectify this a small number of staff were sent to perform the unpopular task of 'clearing up' lending at a branch after a long-standing agent retired

fell to their replacements to recreate them. One tactic was to share agencies, an arrangement that allowed the head office appointee to be gently introduced to his new customers¹²⁴. More importantly new and aspiring agents were encouraged to add to the business of their branches through active participation in public life. Since the 1880s Andrew Kerr and others had advised:

"a banker should be a "known man". He should be seen at "Kirk and market" as the saying is; his name should appear in connection with religious and philanthropic objects, he should not hide his light under a bushel Social functions should be his natural habitat, and if he have the gift of speech or other accomplishment, it is well that it should be in evidence. Unknown bankers may be as wise as Solomon, but they will do little towards extending their business compared with their brainless rivals who are known to every one"¹²⁵.

A popular textbook published between the wars conveyed the same message more bluntly; play golf¹²⁶. The increasing number of professional agents heeded the advice. The successful made themselves integral to the communities they worked in, adapting and conforming to live out inoffensive private lives in public to the benefit of the banks. Guided by personal preference and rules governing acceptable behaviour, this new breed of agents replaced their part-time predecessors as church elders, agricultural society and chamber of commerce treasurers, Rotarians, Masons, Burns clubs speakers, charity givers and avid golfers. In the absence of other business interests re-establishing the links between a bank and its customers on these explicitly neutral terrains remade banking in part as a social service and bankers as social servants. For example, a branch manager at Lerwick in the 1960s was a noted raconteur, Honorary Treasurer of the Lerwick

and would then be moved elsewhere, allowing a new agent to take their place and restore the banks' reputation, A. Cameron, op. cit., p. 207

¹²⁴ For example, the Royal Bank agent at Hunter square in Edinburgh explained to a customer: "You will have noticed that a Joint Agent has been appointed here, this is in anticipation of my retiral however I will be here some little time yet", B561/3/8, letter dated 21st Apr. 1921

¹²⁵ A. W. Kerr, "Bank Agents", in A. W. Kerr (1898), p. 134

¹²⁶ R. S. Sayers, *Modern Banking*, 7th. ed., (Oxford: Clarendon Press, 1951), p. 25

Lifeboat Society, Scout Commissioner for Shetland, a president of the local Rotarians and an enthusiastic supporter of the local "Up Helly A" festival¹²⁷. His interests were distinctively of their time, yet the place he made for himself in his local community was little different to that which his full-time predecessors had occupied in increasing numbers since the beginning of the twentieth century.

2.6 The assets and liabilities of the Scottish banks, 1914 - 1939

Turning now to examine the assets and liabilities of the banks, the growing number of branches, broader range of savings facilities and greater emphasis on deposit gathering unsurprisingly saw deposits increase between the wars. After rapid inflation masked the real decline in total bank liabilities during the War, these grew ahead of the British economy, increasing from 5.67 per cent of UK GDP in 1920 to 6.9 per cent in 1939. Moreover, the banks held a near constant share of British bank deposits. That this increase in the volume of savings held occurred despite persistently high rates of long-term unemployment in Scotland is unsurprising¹²⁸. Those sectors of employment worst affected, primarily the heavy industrial, had never been a particularly important source of depositors, while those areas of employment the banks did draw customers from, including local government, financial services and commerce, expanded throughout this period¹²⁹. The ability of the Scottish banks to hold a near constant share of UK bank deposits was also because Scotland, unlike England, was less affected by the expansion of building societies, although competition from other financial service providers intensified¹³⁰. What is less clear is why the

¹²⁷ "Willie Reid Manager 1962 - 1980" summary of Oral History by Vicki Wilkinson, Royal Bank of Scotland Corporate Affairs, 1996

¹²⁸ T. Hatton, "Unemployment and the labour market in inter-war Britain", in Floud and McCloskey, (eds), op. cit.

¹²⁹ On changes in the occupational structure see C. Lee, op. cit.; J. Foster, "A Proletarian Nation? Occupation and Class since 1914", in A. Dickson and J. Treble, (eds.), *People and Society in Scotland Vol. III, 1914-1990*, (Edinburgh: John Donald, 1992)

¹³⁰ On house building and building societies between the wars see S. Pollard, *The Development of the British Economy*, 3rd ed., (London: Edward Arnold, 1983), pp. 162-167;

Table 2.5. *The Profitability of Scottish Banking, 1865-1939 (in £millions at current prices)*

<i>Year</i>	<i>Profit before tax</i>	<i>Retained profit</i>	<i>Distributed Profit</i>	<i>Average dividend</i>	<i>PBT as % Capital + reserves</i>
1865	1.155	0.251	0.901	9.55	9.22
1870	1.184	0.113	1.068	11.37	9.09
1875	1.395	1.253	0.141	12.80	9.44
1880	1.240	0.126	1.110	12.27	8.79
1885	1.222	0.068	1.154	12.75	8.25
1890	1.260	0.179	1.079	11.92	8.53
1895	1.348	0.224	1.114	11.98	8.34
1900	1.729	0.350	1.357	14.59	9.96
1905	1.779	0.325	1.431	15.38	9.68
1910	1.880	0.341	1.513	16.40	10.04
1915	2.241	0.748	1.319	14.29	12.93
1920	3.272	1.257	1.477	14.66	17.03
1925	3.212	1.121	1.850	16.21	12.58
1930	3.415	1.043	2.164	16.52	10.63
1935	3.426	0.903	2.261	16.72	10.26
1939	3.737	0.921	2.263	14.80	10.41

Source: table 44 & 45 in S. Checkland, op. cit., pp. 743 - 749

banks were so eager to increase deposits given the self-professed difficulties experienced in finding new lending opportunities between the wars.

One reason was more deposits enhanced profitability. The capital (capital and reserves) involved in banking continued to decline as a percentage of total liabilities, reaching 5.66 per cent in 1920, recovering to 10.12 per cent in 1930, before falling back once more to 8.73 per cent in 1939. Thus, although each pound of deposits lent in the 1930s earned less than in the 1860s, as the banks lent an increasing amount of other people's money their total earning capacity increased (see table 2.5 above).

H. Ashworth, *The Building Society Story*, (London: Franey and Co., 1980), pp. 73-98; the increase in funds held by Scottish insurance companies and investment trusts between the wars is listed in J. Scott and M. Hughes, *The Anatomy of Scottish Capital*, (London: Croom Helm, 1980), tables 2A sections C & D and 2B sections C & D

Table 2.6: Sectoral Distribution of English and Scottish Bank Lending, 1929 –1930

<i>Sector</i>	<i>English Banks</i>	<i>Scottish Banks</i>
Textiles	8.3 %	4.7 %
Heavy industries (iron, steel, engineering & shipbuilding)	6.4	7.3
Agriculture & fishing	6.9	7.2
Mining & Quarrying	3.0	2.3
Food, drink & tobacco	6.4	5.7
Leather, rubber & chemicals	2.2	1.4
Shipping, transport (including Railways)	2.5	3.3
Building trades	4.8	1.5
Miscellaneous trades (including retail trades)	14.8	8.6
Local government & public utilities	5.3	6.3
Amusements, clubs, churches & charities	2.7	0.7
Financial (banks, discount houses, stock exchange & building societies)	14.4	23.8
Other advances	22.1	27.1
Total	99.8 %	99.9 %

Source : submission to Macmillan Committee reprinted in M. Gaskin, *Scottish Banking a Modern Survey*, (1965), table XXII, p.156

Nevertheless, the pursuit of deposits remained constrained by the ability to lend. Figures displaying the sectoral distribution of bank lending were compiled for the first time in 1931 in response to a request for this information from the Macmillan Committee on Finance and Industry (see table 2.6 above). They reveal bank finance featured in virtually every form of economic activity in Scotland. What is surprising given the emphasis on heavy industry in Scottish economic history, is other financial institutions - including insurance companies, investment trusts and individuals speculating in shares - were the single most important source of private demand for credit and to a greater extent than in England. The individual credits this involved were often substantial, for example, in 1922 the Standard Life Assurance Company received a £4.5 million credit from Bank of Scotland, the largest single

advance in its history¹³¹. Thus the relationship between banks and other financial service providers was not simply based on competition and was often mutually beneficial. However, the figures presented in table 2.6 are a snapshot and a poor guide to change over time.

More certain were the economic consequences of the First World War, which brought about a permanent shift in bank assets from advances to investments. The banks took substantial holdings of Treasury bills during the War and increased their investment in Consols as well as lending to individuals, companies and local government to finance the purchase of shares in successive war loans. During the short-lived post-war boom private sector demand for credit rose sharply and private sector advances increased, although this was also partially war-related as many customers borrowed due to the liquidity problems created by the imposition of special taxes on profits made on wartime contracts¹³². However, investments (dominated by government debt), having increased from 27.31 per cent of deposits in 1914 to 51.14 per cent in 1918, only fell back as far as 40.50 per cent in 1920. Increased government borrowing together with post-war optimism, symbolised above all by the decision to return to the Gold Standard at the pre-war parity, perhaps best explains why the banks continued their eager pursuit of deposits even after the post-war boom ended. Thereafter the banks operated in a Scottish economy dominated by export-oriented heavy industries crippled by insufficient foreign demand and sustained low prices¹³³. The banks were left dealing with troubled customers in need of first aid not credit and watched as substantial loans became locked up for years. For instance, in 1921 the National Bank lent the

¹³¹ A. Cameron, op. cit., p. 176

¹³² On cost-plus contracts and charges of profiteering during the war see A. Loft, "Accountancy and the First World War", in A. Hopwood and P. Miller (eds), op. cit.

¹³³ For recent surveys of industry in Scotland between the wars see P. Payne, *Growth & Contraction Scottish Industry c.1860-1990*, (The Economic and Social History Society of Scotland, 1992) and 'The Economy' in Devine and Finlay (eds), op. cit.

steelmakers Colvilles £800,000¹³⁴. From 1927 the Bank was insisting on repayment, yet by 1930 £670,000 remained outstanding.

The fortunes of heavy industry went from bad in the 1920s to worse in the early 1930s following the worldwide depression. The inability to translate Scottish technological successes in heavy engineering into the production of new mass produced and mass marketable goods, already apparent before 1914, was confirmed in the 1920s and a cause for government concern in the 1930s, culminating in the creation of industrial estates to attract light industry to depressed areas. The Clydesdale Bank general manager's 1933 comment that "The banks cannot induce borrowers to take our money. We are at all times ready to assist enterprise but we cannot create it" expressed the frustration, which Scotland's bankers experienced in trying to find suitable lending opportunities¹³⁵. Bank investments accordingly increased once more from 35.52 per cent of total deposits in 1929 to an unprecedented 60.16 per cent in 1936. Despite the conversion of the War Loan in 1932, which reduced the rate of return from 5 per cent to 3.5 per cent, with few alternatives on offer during a period of low interest rates this retained some appeal. It required rearmament in preparation for the Second World War before heavy industry in Scotland began to recover and lending switched back once again to the private sector. Thus, the growth of banks between the wars was largely founded upon increased holdings of government debt, which involved them to an unprecedented extent in transferring surplus funds from the personal sector to the state.

¹³⁴ P. Payne, *Colvilles and the Scottish Steel Industry*, (Oxford: Oxford University Press, 1979), pp. 185-186

¹³⁵ quoted in C. W. Munn (1988A), p. 154

2.7 Conclusion

Above all else Scottish banking was shaped by a competitive environment that was as much as possible of the general managers' own making. The emergence of joint-stock banking derived from administrative innovation in the first half of the nineteenth century. The resultant recreation of banks as integrated hierarchies gave rise to intense competition on the basis of interest rates, charges and the willingness to lend. Competition swept away alternative forms of bank organisation, encouraging ultimately successful attempts at establishing collusive agreement. This transition in structure and conduct occurred during the first developmental phase detailed above when Scottish banking became a stable oligopoly. The structure of the sector, the existence of substantial entry barriers and a developing infrastructure based upon common interest as well as close links between the general managers favoured collusion. However, with approaches to banking varying on a regional basis, it required the collapse of the Western Bank and accompanying damage done to the reputation of Glasgow banking, before permanent agreement on the terms of competition in Scotland was reached. Bank organisations were completed when London offices were opened in the 1860s and the geographical scope of Scottish banking was clarified in the 1870s following the Clydesdale Bank's English invasion in 1874. The City of Glasgow Bank failure in 1878 ended a phase during which Scottish banking attained a form largely retained until after the Second World War.

The wide-ranging controls over competition established in the third quarter of the nineteenth century were perfected and extended throughout the subsequent three decades. During this second phase collusion encouraged competition by means other than price; primarily on the basis of establishing branches and the willingness to lend, though this was constrained by the inability to factor risk into the cost of credit. The former made banks ever-larger organisations, but at a rate that varied over time indicating competition also varied in intensity. Even

so, Scottish banking sustained a uniquely high degree of market penetration. Collusion also fed into and encouraged a collectively agreed conservatism that emphasised the importance of liquidity at the same time as it acted as a brake upon innovation. However, the growing emphasis on bank liquidity, though a consequence of conservatism to be sure, was encouraged by additional factors: public concern prompted by intermittent crises; tacit state approval; and the limited availability or appeal of alternative assets. Then in the 1900s an unprecedented decline in bank deposits followed by the hiatus caused by war prompted a modest revaluation of the status quo.

Change occurred during the final phase, but within carefully monitored parameters. The English affiliations were the most significant as they threatened the continuation of the General Managers' Committee. However, the "A and Us" remained intact while affiliation reduced the scope for mergers in Scotland. Then after decades of relative decline a concern with scale amongst the remaining unaffiliated banks provoked various, often novel proposals including merger and product innovation. Existing controls over competition loosened and new services were introduced; though this was often piecemeal and, as in the case of savings accounts, not until they had already shown themselves to be worthwhile elsewhere. Hence change occurred, to a greater extent and more rapidly than it had done for decades, but remained subject to collective sanction.

Two points are of particular importance for the broader aims of this thesis. First, early on joint-stock banking posed the challenge of devising means of managing and administering a large number of geographically dispersed staff responsible for undertaking a high volume of routine transactions. Indeed, joint-stock banking was founded upon the creation of well developed hierarchies used to oversee task specialisation within a complex division of labour. Thus, it entailed the creation of a distinctive work régime and working environment. This took place in organisations that, due to their scale

and scope of operations were inherently and increasingly stable. Moreover, towards the end of the nineteenth century banking became geared more towards administrative efficiency than innovation or the achievement of rapid growth. Consequently, banking during the second and third phases detailed above constituted a stable, conservative, somewhat predictable sphere. Second, Scottish banking constituted a highly managerial capitalism. The scale and complexity of bank organisations as well as the particular developmental path followed by banking in Scotland led to the sector being dominated by general managers who enjoyed an unprecedented degree of authority and independence of action within their own banks. However, the independence enjoyed by agents meant the practical authority of the general managers was on occasion more theoretical than real. It required the centralisation of control and discretion as well as the extension of rules governing the private and public lives of staff and with this the conduct of banking in the branches, before the general managers eventually emerged as authoritarian, distant, figures. In other words banking underwent a process of bureaucratisation intended to bring all staff within the ambit of a vigorously exercised hierarchical authority.

Chapter 3: The Royal Bank of Scotland, 1850-1939

3.1 Introduction

The previous chapter examined the business of banking in Scotland c.1850-1939 over three distinct stages throughout which the banks operated as substantial, private bureaucracies. The importance of the general managers in strategic decision making was considered a distinctive feature of banking in Scotland as opposed to England, with inter-bank relations dominated by the agreements they reached on interest rates, charges and acceptable forms of competition. All this served to render Scottish banking a stable oligopoly.

This chapter continues the analysis of the business of banking with specific reference to the Royal Bank of Scotland. The quantitative analysis of careers undertaken in subsequent chapters is based solely upon Royal Bank records, therefore it is necessary establish how representative the subject organisation is of Scottish banking as a whole. In other words in what ways if any did Royal Bank differ, why and how significant is this in relation to the overall aims of this thesis?

Classical economic theory depicts firms and the people running them as being substitutable for each other, with both, when subject to the same stimuli in comparable circumstances, reacting in much the same way¹. The resultant tendency is towards a homogeneous equilibrium produced by individual decision-makers driven by competition. This provides the beginnings of an explanation, however four qualifications are necessary. First, circumstances change and with them the means available for achieving strategic goals. In Scottish banking the most obvious example of this concerned the pursuit of scale. Whereas this was commonly achieved early on in the nineteenth century via mergers and acquisitions, as the century progressed the number of concerns that could be acquired rapidly diminished, hence

organic growth - opening branches - became increasingly significant. Second, competition after 1857 was rigidly controlled, for instance, the range of services banks provided, were collectively agreed, hence, the visible hand of the General Managers' Committee was a key influence on the evolution of banking in Scotland. Third, history was a factor. By this I mean the institutional legacy with which a business operates: the internal arrangements inherited from a previous era as well as the connections, reputation and areas of expertise deployed in a given competitive environment². Finally, there is the question of entrepreneurship: the ability to overcome historical and competitive constraints by creating, identifying and acting upon commercial opportunities. This sees those individuals able to take strategic decisions as shaping the internal organisation, strategy, growth and efficiency of a business in potentially unique ways³.

Bearing these points in mind the following chapter depicts the history of Royal Bank as a variation on a common theme. In broad terms it depicts Royal Bank as passing through the three developmental stages set out in the previous chapter, moving rapidly towards a common model that was adhered to, then departed from in key respects between the wars.

During the first phase landmark events already described in the previous chapter reoccur, but acquire a particular meaning. The failure of the Western Bank was an opportunity taken to rapidly acquire a substantial branch network for much the same reasons as every other bank had adopted branch banking during the previous four decades. Central to the resultant transformation of Royal Bank was the contested emergence of the Cashier as an official possessed of executive powers.

¹ S. Pollard, "Entrepreneurship, 1870 - 1914", in R. Floud and D. McCloskey, (eds)

² O. M. Westall, "Invisible, Visible and 'Direct' Hands: An Institutional Interpretation of Organisational Structure and Change in British general Insurance", *Business History*, 39, (1997), no. 4, pp. 44-48

³ For a useful discussion of entrepreneurship see P. Payne, *British Entrepreneurship in the Nineteenth Century*, (London: Macmillan, 1988)

In the second phase it is argued that Royal Bank shared in the great stability that affected Scottish banking after 1878 and lasted until after the First World War. However, it is suggested that Royal Bank was affected by a certain inertia that derived in part from its distinctive regional identity as an Edinburgh bank and also from management limitations. An examination of the performance of the main lending branches reveals a range of difficulties were identified, yet seemingly tolerated until the end of the nineteenth century. Consequently, Royal Bank lost ground to its rivals in terms of its share of deposits and advances. The one positive development during this period occurred at London where business grew in volume, scope and profitability.

The final section considers the experience of the Bank between the wars when it rapidly acquired the largest shares of Scottish bank deposits and advances. Key to this was the entrepreneurial ability of the Cashier to circumvent the constraints on competition in Scotland and pronounced difficulties that affected much of the Scottish economy, by embarking on a unique policy of English acquisitions and affiliations. This strategy derived from Royal Bank's status as an independent Scottish bank and was facilitated by the earlier difficulties experienced in lending to trade and industry in the west of Scotland.

3.2 Transformation, 1850-1878

Royal Bank was transformed during the third quarter of the nineteenth century. In 1850 it consisted of a grand, Edinburgh head office, a substantial Glasgow office and 5 smaller branches; a structure more of the early than the mid-nineteenth century, which uniquely reflected the axes Scottish banking revolved around. However, within a decade a substantial branch network had been established and in 1874 a London office was opened. All this rendered the organisation of the Bank indistinguishable from its peers. This transformation was the work of two Cashiers: Laurence Robertson and John Fleming. Three factors were central to their achievements: the campaign conducted by

Robertson to persuade the board to adopt branch banking; his building of a branch network using the remains of the Western Bank; and Fleming's ability to persuade English bankers and politicians to allow another Scottish bank into London.

Integral to the adoption of branch banking in 1854 was the contested emergence of the Cashier as an official possessing executive authority. After opening the first Glasgow office of an Edinburgh bank in 1783 the Royal Bank board became a barrier to further change. To maintain its authority the board subsequently created the position of Permanent Director; effectively a chief executive appointed from its ranks on an annual basis. This arrangement ended once the Glasgow Cashier, the strong-willed and autocratic John Thomson, became Cashier in 1828. However, Thomson shared the board's disinterest in branch banking. The small number he opened were primarily political gestures intended to show a willingness to play an active part in Scottish economic development⁴. Political or not those at Leith and Dalkeith in the east and at Rothesay, Port Glasgow and Greenock in the west survived, becoming permanent additions to the organisation. However, further expansion posed an administrative challenge, which the Bank lacked the means to resolve. But when an Inspector of Branches was appointed in 1837, the incumbent appears to have been overshadowed by Thomson who retained practical responsibility for branch supervision alongside his other duties⁵. Thomson eventually alienated the board and was asked to resign in 1845 to be replaced by Robert Wilson who saw benefits in branch banking. When Wilson was sent with a director to arrange the closure of the Port Glasgow branch he returned convinced of the need for more not less branches. But, with the board once more in the ascendant, Wilson, more tactful than his

⁴ S. G. Checkland, *op. cit.* p. 357

⁵ RB 709 Miscellaneous Notebook

predecessor, did not press his case. The Port Glasgow branch remained open, but no more were added⁶.

The initiative for change now passed to the Glasgow Cashier Laurence Robertson, who was already proving to be another strong willed servant of the Bank. It was Robertson who, exposed to the intense competition between the banks in Glasgow, had cajoled the board into lending on the security of machinery, mill properties, warehoused pig iron and stocks and shares, and antagonised Bank of Scotland by adopting Glasgow ways (see chapter 2)⁷.

Already instrumental in changing how the Bank conducted its business, Robertson began campaigning for the adoption of branch banking and in 1843 and 1844 proposed establishing branches in Paisley and Lanark⁸. Both were rejected. Paisley was judged too dangerous a place to bank and as for Lanark, the board was of the opinion "any reasons that may be urged in its favour might apply as well to other places where they would be very unwilling to plant branches"⁹. However, this reluctance derived from a time when Royal Bank held the "chief command of the Glasgow business, and finding that sufficiently remunerative, did not care to cultivate connexions elsewhere"¹⁰. Yet there was mounting pressure to open more branches. Rival banks had opened in Glasgow and counted former Royal Bank customers amongst their founders. By not opening branches Royal Bank risked being locked out of the rest of Scotland and confined to increasingly competitive locations. Furthermore, the capital of the Bank, which at £2 million was the largest in Scotland, was an additional concern. In 1846 the Secretary noted the difficulties it created in making the dividend; a director was more forthright, describing the dividend as

⁶ RBM 24th Dec. 1851

⁷ RBM 25th Apr. 1859, 16th Jul. 1851 and 1st Oct. 1851 for examples of the various forms of security Robertson recommended the board accept

⁸ RBM 1st Nov. 1843, 3rd Jan 1844 & 25th Feb. 1852

⁹ *ibid.*

¹⁰ Comments by the secretary of Royal Bank included in "Alexander Blair Memo on Merger", UGD 129/111/7

a "dead weight" and Royal Bank as a result more susceptible to downturns in saving and interest rate margins, because of its substantial capital ratio¹¹. Eventually, in the buoyant trading conditions of the early 1850s the profits to be earned emulating the Glasgow banks' developing practice of discounting London bills prompted a change in policy as to do so required more deposits¹². Cost and the Edinburgh commitment to common interest rates prevented competitive rates being used to draw in more funds leaving opening branches the only means of increasing deposits. Thus, when Robertson again proposed establishing a Lanark branch in 1854 the board agreed¹³.

Driving the board towards branch banking gave Robertson a dominant position in the Bank. After succeeding in Lanark, Robertson took off across Scotland, appointing agents at Dumbarton, Stirling, Hamilton and Falkirk, then sent back instructions to Head Office explaining how the new branches could be reached¹⁴. Such enthusiasm quickly antagonised the Deputy Governor who took exception to the establishment of a Doune branch and reaffirmed the board's authority by establishing a sub-committee of directors to consider all future proposals¹⁵. This and an apology from Robertson saw a Doune branch opened for a one-year trial period. A somewhat chastened Robertson next proposed establishing a Campbeltown branch in a detailed report submitted to the new committee¹⁶. Although certain directors clearly held reservations about Robertson his dynamism was suited to the task at hand. In February 1857 Wilson was promoted to the board allowing Robertson to become Cashier, a change followed by the Deputy Governor's resignation¹⁷. As this new managerial order was being established applications for agencies were received from aspiring agents

¹¹ *ibid.*

¹² R. Saville, *op. cit.*, pp. 387-388

¹³ RBM 31st May 1854

¹⁴ RBM 26th Jul., 23rd Aug., 13th Sept. & 11th Oct. 1854 and 6th Jun. 1855

¹⁵ RBM 6th Jun., 13th Jun., 4th Jul., 11th Jul., 5th, 19th and 26th Sept. 1855

¹⁶ RBM 19th Sept. 1855

¹⁷ RBM 30th Apr. 1856 & 23rd Dec. 1857

across Scotland, the most significant coming from a Mr. Primrose Kennedy in Ayr¹⁸.

The appointment of Kennedy as Deputy Manager for Ayrshire on the 10th of October 1855 began a raid on the establishment of the Western Bank. Kennedy was formerly managing partner in the Ayrshire Banking Company and having taken that bank into the Western Bank in 1845, brought much of it with him to Royal Bank, including agents and branches at Ayr, Maybole, Girvan and Irvine, which in 1858 held £348,900 on deposit and £116,000 on advance. The £37,000 advance Kennedy received was the probable reason for his defection; to avoid the charge of poaching a rival's agents the board made it clear that "no premium or consideration whatever is to be allowed for the goodwill of the business"¹⁹. Next, on the 24th of October Walter Denham, the accountant at Western Bank's Glasgow Cowcaddens branch, was temporarily appointed to Royal Bank's head office before returning to Cowcaddens as a Royal Bank agent²⁰. The week after Denham left Glasgow, Alexander Waddel, then joint agent of the Western Bank Glasgow East End branch, became the Royal Bank East End Agent²¹. Clearly the Western Bank was uniquely considered fair game and the antagonistic relationship between it and at least one Edinburgh bank reciprocated. The raid ended with the appointment of John Bishop from the Western Bank inspection department to the Royal Bank head office.

Branches continued being opened, their location a product of luck and personal ambition within the remit of an overall policy. Kennedy, newly elected as Provost of Ayr and eager to extend his Ayrshire interests, competed and in one instance clashed with

¹⁸ RBM 18th Jul., 3rd Oct. and 10th Oct. 1855

¹⁹ RBM 10th Oct. 1855

²⁰ RBM 24th Oct. 1855, entry for Glasgow Cowcaddens in RB 309

²¹ RBM 31st Oct. 1855; profile of Alexander Waddel in the series "Men You Know", *The Baillie*, 24th Oct. 1877

Robertson over the establishment of new branches²². Meanwhile the Elgin and Falkirk agents established sub-branches attached to their own, while aspiring agents continued applying to the Bank²³. The purpose of the branches was made clear when John Bishop applied to become an agent in Dundee in 1856²⁴. The board acknowledged a large discount business could be conducted with a respectable class of customer in the city, but refused because

"as a general rule all parties in extensive business in Dundee require large advances from their bankers besides this is not the kind of business the bank has more particularly in view in setting down new branches"²⁵.

Thus in 1857, Royal Bank began operating 34 branches across Scotland primarily to gather deposits. Notable gaps remained in the network. In particular there were no branches in Aberdeen and Dundee. To rectify this in September 1857 Robertson attempted to acquire the Town and Country Bank for which Royal Bank already acted as Edinburgh agents²⁶. The offer of £10.5s. per share being considered insufficient negotiations ended though channels were to be kept open. Then the Western Bank failed.

Whether the decision to end negotiations was linked to the Western Bank failure is unclear. Regardless of this, Royal Bank was uniquely well placed to take advantage. Its change in policy placed it publicly in the market for newly unemployed agents, while a number of its existing agents were well connected to Western Bank. Most important of all Royal Bank employed John Bishop who knew every Western Bank agent (one was his brother-in-law) and their business intimately. The Western Bank permanently closed its doors on November the ninth. On the eleventh Bishop submitted to the board a shopping list of its branches holding an estimated £1,133,000 on

²² RBM 28th Nov. 1855,

²³ RBM 1st and 3rd Dec. 1857

²⁴ RBM 3rd Dec. 1856

²⁵ *ibid.*

²⁶ RBM 9th , 23rd and 30th Sept. and 8th Oct. 1857

deposit²⁷. Thus equipped, Royal Bank in competition with every other bank captured the largest share of Western Bank branches. After this the decision was taken to halt expansion and with John Bishop's assistance the organisation was consolidated and head office adapted (the changes made are discussed in more detail in chapter 4) to administering a branch network that had grown from six to over sixty branches in under four years²⁸.

The main purpose of the branches was to gather deposits to be lent elsewhere, the resultant flow of money from net debtor to net creditor regions has been studied in detail by Tamaki at Union Bank c.1860-1865²⁹. Tamaki established that money was transferred from the north and east of Scotland to the west and concluded that surplus funds raised in agricultural areas were used to provide credit facilitating industrial development in Glasgow and London investments. Munn in a study of the Clydesdale Bank reaches a similar conclusion³⁰. Limited data is available on the Royal Bank head office or London office, but systematic information available for a majority of its branches has been used to produce table 3.1 below. The figures for 1858 were calculated by subtracting the annual figures for total advances from the total deposits held at individual branches, those for 1869 to 1872 reproduce the results of a similar calculation contained in the original source.

The figures presented in table 3.1 are incomplete and therefore qualified, but nevertheless show Tamaki's findings are generally applicable to Royal Bank, though with some modifications. Glasgow again appears as the major outlet for funds with Dundee, following the acquisition of the Dundee Banking Company (see below), also a net debtor to the network. The ports of Leith in the east and Greenock and Port Glasgow in the west, and branches in border towns of Hawick, Galashiels and Jedburgh, each then developing specialist lines in textile

²⁷ RBM 11th Nov. 1857

²⁸ RBM 9th and 16th Dec. 1857 and 2nd Jan. 1858

²⁹ N. Tamaki, *op. cit.*, pp. 88-91

Table 3.1. *The Royal Bank of Scotland lending Branches and their debts to the network 1858-1872, (£s at current prices)*

<i>Year</i>	<i>Glasgow</i>	<i>Dundee</i>	<i>Ports*</i>	<i>Borders*</i>	<i>Other*</i>	<i>No. of Branches data available for</i>	<i>Total No. of Branches</i>
1858	N/A.	N/A.	47,000	20,000	15,000	51	57
1869	899,927	N/A.	51,358	37,561	811	80	88
1870	968,768	240,840	140,792	23,603	1,409	80	85
1871	864,243	182,686	97,500	39,853	3,625	80	89
1872	N/A.	N/A.	50,840	46,569	0	76	92

The specific identity of these branches is given in the text below

Source: RB 307, RB 309, and RB 419 "Number of Branches of Scottish Banks"

Manufacturing, also advanced more than their deposits³¹. These were the lending branches. The "others", Cupar, Haddington, Blairgowrie and Elgin moved between net debtor and net creditor status. Although the amounts involved were relatively small, they indicate that the system was flexible and Royal Bank willing to meet the demand for credit wherever it arose to an extent that the savings of local populations or at least local customers, were unable to meet. However, although the available data is fragmentary, the reduction in the amount owed by "other" branches to the network suggests that this tolerance declined.

After building a branch network Robertson was charged with finding outlets for the increased deposits. First, he went on a fact-finding trip to the north of England in 1859, visiting banks in Manchester and Liverpool, "the object being to learn the principle upon which these banks conduct their business"³². With introductions provided by Glasgow customers Robertson met a number of Liverpool merchants and arranged discount accounts for them via Royal Bank's

³⁰ C. W. Munn (1988A), p. 102

³¹ R. J. Morris, *Urbanisation and Scotland* in W. H. Fraser and R. J. Morris (eds) *People and Society in Scotland Vol. II*, pp. 80-82, (Edinburgh: John Donald, 1990)

³² RBM 13th Dec. 1859

London correspondents. Second, he sought to increase lending in Scotland. A Dundee branch had already been opened at the bidding of Primrose Kennedy who requested the engagement of a former Western Bank agent in the city. However, this branch, with deposits of £83,000 and advances of £25,000 in 1858, was a modest venture for Scotland's fourth city, comparable in size to branches in Brechin and Arbroath further along the north east Coast³³. To play a part in meeting the demand for credit in Dundee, Robertson negotiated the acquisition of the Dundee Banking Company in January 1864 through an exchange of stock, the only acquisition Royal Bank made in the nineteenth century³⁴. When acquired the Dundee Bank operated a small branch network, held deposits of £722,219 and, more importantly, bills, loans, credits and overdrafts worth £689,934. The deal also included two sets of golden handcuffs, one apiece for the manager, Charles Boase, and his brother and deputy George who were paid £5,000 and promised pensions on the understanding that the accounts were correct and that they would resign after three years "never to take service with any other bank in Forfarshire"³⁵. Robertson and the board clearly valued the brothers' connections, but wanted to manage Dundee as they saw fit and in 1867 it was suggested to the brothers that they might retire to which they agreed after Charles secured an extra £1,000 and George an enhanced pension³⁶. Four years later Robertson followed them into retirement after a period of ill health, to be replaced by John Fleming.

Fleming, who had taken charge of the Western Bank as it failed, was the final link between that bank and Royal Bank. His first years in office were dominated by attempts at completing the transformation begun by his predecessor. His major achievements came early and involved enhancing the Bank's representation in Scotland and opening a London office.

³³ RBM 2nd Jan. 1858; see entry for Arbroath, Brechin and Dundee in RB 307

³⁴ RBM 13th Jan. and 23rd Feb. 1864, N. Munro, *op. cit.*, pp. 251-257

³⁵ *ibid.*

In certain respects Fleming proved no more successful than Robertson. After the acquisition of the Dundee Banking Co., Aberdeen remained the last major omission in the network. An Aberdeen branch had in fact been opened in 1862 with the law firm Messrs. Smith and Lochan as agents³⁷ (out of courtesy while making these arrangements Robertson called on the manager of the Town and Country Bank who expressed his surprise that Royal Bank had not opened in Aberdeen sooner³⁸). The branch proved a modest affair that contributed more deposits than advances³⁹. To change this Fleming made another attempt to acquire the Town and Country Bank shortly after being appointed⁴⁰. Negotiations continued for a month until the offer of stock was refused leaving Royal Bank to build its own Aberdeen connections.

More by default than intention the Royal Bank's presence in the north of Scotland subsequently benefited from the City of Glasgow failure. There was no scramble to acquire its branches after it failed. Instead, the general managers shared the branches out among themselves, with Royal Bank reopening six of those it had been allocated⁴¹. However, there was more to the failure than this. Former City Bank agents were appointed joint-agents at six branches in Glasgow and also in Paisley and at Hunter Square in Edinburgh⁴². Royal Bank also became involved in a dispute with the Caledonian Bank; an unfortunate victim of the failure after it unwittingly acquired City of Glasgow stock and became liable for its losses. On discovering this Caledonian Bank shareholders panicked, throwing their stock onto the market and forcing that Bank to close its doors. The general managers' at their committee recommended that the Caledonian Bank enter into

³⁶ RBM 6th Nov. 1867

³⁷ RBM 28th Mar. 1862

³⁸ *ibid.*

³⁹ see entries for Arbroath and Aberdeen in RB 309

⁴⁰ RBM 24th Nov. and 13th, 20th and 22nd Dec. 1871

⁴¹ RBM 22nd Nov. 1878, the branches reopened were at Cumbernauld, Douglas, Islay, Kilsyth, Tighnabruaich and Tranent

⁴² RBM 1st Nov. 1878

liquidation and arranged to distribute its assets among themselves⁴³. The Caledonian directors had other ideas and set about reopening their bank, somewhat naively asking for branches to be returned once they were ready to recommence business. This, Royal Bank under the auspices of the general managers' agreement, refused to do. It had gained important connections in and around Inverness for the first time and was eager to retain this business⁴⁴. Thus, when the Forres agent announced he was returning to the Caledonian Bank, he was quickly replaced by his former City Bank rival, much to the annoyance of the Caledonian Bank board⁴⁵. Doubtless this encouraged the Caledonian Bank directors to seek other partners when they eventually relinquished their independence in the 1900s.

Thus, the development of the Royal Bank in Scotland confirmed the Scottish status quo. It became a larger and more complex organisation, but within the terms set by the 'A and Us'. These had the effect of squeezing competition out into the margins, the ultimate expression of which was the opening of the London offices, an area where Fleming's efforts proved an unqualified success. Opening in London required an ability to negotiate a course through the politics of banking, which Robertson apparently lacked. When National Bank opened in London in 1864 the Royal Bank board decided to replace its London correspondents Capel and Co. with an office and sent Robertson down to purchase suitable property⁴⁶. Offices were secured, but the Royal Bank charter, which legally entitled it to conduct business "in Scotland only", meant that a special act of parliament was needed to commence business. Robertson failed to secure this in 1866, as did Fleming in 1872, before finally succeeding in 1873⁴⁷. While Fleming was in London arranging the opening of the London office the Clydesdale

⁴³ RBM 12th Dec. 1878

⁴⁴ RBM 14th Oct. and 18th Oct. 1878, 25th Jun. and 18th Jul. 1879

⁴⁵ RBM 9th Jul. 1879

⁴⁶ RBM 23rd Nov. 1864

⁴⁷ For a summary of the Bank's interests in London before 1874 see RBM 3rd Mar. 1875

Bank mounted its English invasion, forcing Fleming to move back and forth between the London office and the general managers' negotiations with the Clydesdale Bank. Finally an agreement was reached, which left Fleming free to open the London office at an annual cost of £6,501 for salaries and accommodation⁴⁸.

3.3 Stability and stagnation, 1878-1918

Compared to the transformation undergone in previous decades, after 1878 Royal Bank conformed to the soporific state that affected every bank and remained unbroken until 1918. Fleming oversaw this transition from competition, expansion and diversification to conservatism and consolidation. His successors, David Huie and Adam Tait, appointed Cashier in 1892 and 1907 respectively, proved largely content to manage the bank as they inherited it. No significant alterations or additions were made to the organisation or services provided. Indeed, a certain inertia is discernible. Problems concerning lending at Glasgow and Dundee emerged in the 1870s yet took decades to resolve. Consequently, Royal Bank entered a period of relative decline. Having begun the 1870s holding the single largest share of Scottish bank deposits and advances, by the 1900s it had fallen to fourth place. The only exception to this gloomy account was the growth of the London office. This section proceeds by examining the development of the organisation in relation to deposits, then considers lending with specific reference to the main lending offices; Dundee, Glasgow and London. Finally, events during the First World War are briefly described.

The branch network, which Robertson established made Royal Bank Scotland's leading deposit-taking institution. Royal Bank deposits more than doubled from £3.8 million in 1845 to £8.4 million in 1870, increasing

⁴⁸ RBM 11th Oct. 1874 and 11th Oct. 1875; CS 188 Report on London (1880?)

Table 3.2. *Selected Liabilities of the Royal Bank of Scotland 1865-1939, (in £s at current prices)*

<i>Year</i>	<i>Bran- ches</i>	<i>Deposits</i>	<i>Capital</i>	<i>Reserve</i>	<i>Notes</i>	<i>Total liabilities</i>
1865	74	8,127,791	2,000,000	332,437		11,452,653
1870	85	8,394,160	2,000,000	400,000	672,763	12,073,654
1875	106	10,588,334	2,000,000	500,000	878,278	14,666,386
1880	121	12,279,592	2,000,000	725,469	744,783	16,333,939
1885	126	12,027,481	2,000,000	761,636	767,246	16,073,660
1890	123	12,844,269	2,000,000	794,691	843,995	17,236,646
1895	127	13,061,341	2,000,000	757,638	910,079	17,449,470
1900	137	14,157,122	2,000,000	844,078	1,056,670	19,100,153
1905	147	13,606,172	2,000,000	933,439	996,431	18,660,453
1910	158	13,920,173	2,000,000	1,013,565	976,860	18,501,829
1915	167	19,144,394	2,000,000	800,986	1,640,239	24,695,787
1920	167	39,114,127	2,000,000	1,082,276	3,539,685	47,460,685
1925	207	40,790,229	2,500,000	2,464,704	2,663,730	50,128,390
1930	242	50,387,090	3,362,442	3,580,926	2,773,277	61,561,346
1935	253	64,009,174	3,780,192	3,857,143	2,812,642	79,028,165
1939	257	68,973,438	4,250,000	4,125,965	3,301,123	85,089,984

Source: RB 419

as a share of the Scottish total from 6.66 per cent to 13.31 per cent (see table 3.2 above). This served to reduce the capital and reserve from 34.87 per cent of the Bank's £6.3 million total liabilities to 20.85 per cent over the same period. Consequently, there was less pressure on subsequent Cashiers to increase deposits. Indeed, after securing the deposits and branches of the failed City of Glasgow Bank, Fleming was of the opinion that more deposits would be an unwelcome gift. In a report to the board in 1880 he identified deposit growth as a long-term trend driven in more recent times by trade inactivity, the unwillingness of the public to speculate and a difficulty in finding suitable, permanent investments⁴⁹. These same factors also constrained the demand for credit.

Instead of waiting for demand to recover Fleming then Huie restricted deposit growth by adopting a conservative branch expansion

⁴⁹ RBM 9th Nov. 1880

policy. Both Cashiers signed up to the "Arrangements between Banks for the Suppression of Branches" (see chapter 2 above), and from 1880 to 1900 closed 11 branches. 27 branches were also opened, a net increase of 13 per cent on the 121 branch network operated in 1880, which was substantially less than the 21 per cent increase in the total number of Scottish bank branches (from 891 in 1880 to 1075 in 1900).

Unsurprisingly, deposits grew relatively slowly. Whereas Royal Bank deposits increased by 15.45 per cent (at current prices) from £12.3 million in 1880 to £14.2 million in 1900, total Scottish bank deposits increased by 37.77 per cent over the same period.

After decades of growth in the 1900s deposits declined absolutely from £14,157,122 in 1900 to a trough of £13,606,172 in 1905. This and the break down in mutually agreed branch closures encouraged more branches (29) to be opened during the period 1900 to 1914. Moreover, notable gaps in the network were filled for the first time. Branches were opened in important industrial centres including Motherwell, Clydebank and Methil. The network grew by 21 per cent - ahead of the 17 per cent Scottish average - from 137 branches in 1900 to 166 branches in 1914. However, with Scotland already densely banked and many of the new branches opened in highly competitive locations, the relative standing of the Bank remained unchanged and in terms of deposits it remained in fourth place until the outbreak of the First World War.

The willingness to gather deposits was largely determined by the ability to lend. Unsurprisingly the relative decline in Royal Bank deposits was accompanied by a declining share of Scottish bank advances (see table 3.3 below). Here too Royal Bank fell from first to fourth place. Although the percentage fall was slight - from 13.79 per cent in 1870, to 12.60 per cent in 1910 - the scale of this decline was in fact pronounced due to the removal of the City of Glasgow Bank during the intervening period. The reticence shown towards gathering deposits before 1914 suggests that Royal Bank experienced difficulties in finding suitable lending opportunities. However, this overall trend

Table 3.3. *Selected Assets of the Royal Bank of Scotland 1865-1939, (in £s at current prices)*

<i>Year</i>	<i>Advances</i>	<i>Investments</i>	<i>Liquid Assets</i>	<i>Total Assets</i>
1865	8,206,984	974,245	568,811	11,452,653
1870	8,486,477	1,863,145	766,231	12,073,654
1875	10,460,163	3,087,337	942,664	14,666,386
1880	10,154,220	1,892,674	3,378,074	16,333,939
1885	9,529,921	2,649,488	3,191,104	16,073,660
1890	10,128,042	3,034,080	3,661,328	17,236,646
1895	9,504,960	3,919,167	3,224,665	17,449,470
1900	10,807,891	3,052,478	4,122,367	19,100,153
1905	10,684,367	2,823,888	3,987,168	18,660,453
1910	9,551,607	3,529,049	4,579,650	18,501,829
1915	9,294,496	7,959,893	6,375,595	24,695,787
1920	25,379,893	7,766,284	10,709,657	47,460,685
1925	22,828,674	15,147,061	10,454,186	50,128,390
1930	30,009,032	15,180,252	12,455,874	61,561,346
1935	26,417,602	30,045,248	14,595,081	79,028,165
1939	31,209,758	27,517,124	15,981,838	85,089,984

Source: RB 419

contained a significant regional dimension, which is explored below using the separate histories of the main lending branches. At Glasgow in particular difficulties were experienced attracting new business. Perhaps the gradual nature of this problem explains why it took decades before any response was made, whereas at Dundee dramatic events provoked more drastic measures. In Andrew Kerr's opinion Laurence Robertson acquired bad debt at a lower rate than his peers, a prudent legacy, which successive Dundee agents proved incapable of matching⁵⁰. But, while Glasgow proved a frustrating place to bank and Dundee a dangerous one, London emerged in the 1890s as the single largest source of profits, a development that subsequently impacted upon the development of the Bank's Glasgow interests.

After dismal trading conditions in 1892 -3 the Cashier undertook a special investigation into the Glasgow business, which produced findings that made for depressing reading. For decades the main

⁵⁰ A. W. Kerr, "Profits and Loss", in A. W. Kerr (ed), p. 42

Glasgow branch had declined relative to the growing wealth of the city and the business of rival banks. Furthermore, "a decided shrinkage is observable under all departments"⁵¹. In part, the problems were more apparent than real. A number of substantial Glasgow customers had transferred a portion of their business to London for convenience and to take advantage of London rates. To an extent Royal Bank was also a victim of circumstance. Business activity in Glasgow had shifted westwards to the area in and around St. Vincent Street leaving the main Royal Bank office behind in Buchanan Street. Furthermore, structural change served to redistribute business. For example, the decline of the cotton industry and the growth of the Paisley thread manufacturers J. P. Coats to a dominant position in what remained of it in the West of Scotland effectively transformed its bank; Bank of Scotland, into the industry's bankers⁵². While these developments affected every bank, Royal Bank uniquely suffered due to its relative failure to secure new business from the closely linked industries that developed along Clydeside in the second half of the nineteenth century. Shipbuilding, for example, emerged as a major contributor to the Scottish economy in the 1870s and continued to expand until 1913. Shipbuilding companies tended to remain small and numerous, in theory presenting a substantial opportunity⁵³. However, the minute books indicate that few Clydeside shipbuilders borrowed from Royal Bank. Instead, Union Bank was the most active lender to this sector, while the closely linked shipowning companies provided the Clydesdale Bank with its largest source of new business during the last quarter of the nineteenth century⁵⁴.

The cause of the problem identified in successive investigations was the increasing distance between Royal Bank and businessmen in Glasgow. The board of a bank marked out its regional identity. Those of the Glasgow banks were dominated by that city's business elite, whereas the Royal Bank board was dominated by leading figures

⁵¹ RBM 13th Dec. 1893, see also 11th Dec. 1895

⁵² P. Payne (1992), pp. 9-11

⁵³ *ibid.*, pp. 21-23; R. Campbell (1985), pp. 170-174

⁵⁴ C. W. Munn (1988A), pp. 119 - 121

drawn from Edinburgh's tightly knit financial community⁵⁵. Directors gave more than advice; they formed channels that business and information concerning new opportunities flowed through⁵⁶. A few well-chosen directors could make a significant difference when, as the uniquely detailed records of Bank of Scotland show, in March 1879 as few as 48 companies could borrow £5,975,639 (approximately two thirds of the lending book)⁵⁷. Thus, Royal Bank benefited from having the leading accountant George Auldjo Jameson and financier Sir George Warrander serve as directors from the 1860s until the end of the century⁵⁸. Connected in this way Royal Bank made substantial loans to investment and property companies, including a £200,000 advance for the Australian Mortgage Land and Finance Company in 1877⁵⁹. Other boardroom connections solidified the long-term links between Royal Bank and Scottish Widows, the largest of the giant Scottish life assurance companies until the 1920s⁶⁰. Scottish Widows formed a constant presence, with routine short-term borrowing requirements that took two steps forward and one back to reach £250,000 in 1887, then £400,000 in 1912⁶¹. However, few industrialists became Royal Bank directors.

In the absence of such strategically important boardroom links it fell to the Glasgow Cashier to bridge the gap between Royal Bank and businessmen in the West of Scotland. Archibald Robertson, Glasgow Cashier from 1857 to 1890, appeared well suited to this task; he came from a family of Glasgow and Liverpool merchants, was the son of a

⁵⁵ See for example, the chairmen of the Clydesdale Bank, C. W. Munn (1988A), pp. 308 - 309; for Royal Bank see the list of directors contained in N. Munro, op. cit.

⁵⁶ The use of boardroom appointments to attract business as well as gaining expert advice reoccurred in general insurance where "large tariff companies packed their boards with directors whose main role was to influence the insurances of their companies or estates", O. M. Westall, *The Provincial Insurance Company 1903-1938 Family, markets and competitive growth*, (Manchester: Manchester University Press, 1992), p. 289

⁵⁷ R. Saville, op. cit., table 17.3 *Bank of Scotland advances over £50,000 at March 1879*, p. 432

⁵⁸ J. Hughes & M. Scott, op. cit., p. 25; C. Schmitz, "George Auldjo Jamieson" and C. W. Munn, *Banking, Insurance and Finance*, in A. Slaven and S. G. Checkland (eds), *Dictionary of Scottish Business Biography Volume II, Processing, distributing, services*, (Aberdeen: Aberdeen University Press, 1990)

⁵⁹ RBM 29th Jun. 1877

⁶⁰ J. Scott and M. Hughes, op. cit., see Table 1A Scotland's Top Companies (1904-5), Section C Insurance Companies and pp. 23-53.

⁶¹ RBM 2nd Mar 1887 & 25th Nov. 1912

Greenock banker and worked as a merchant in Glasgow for 16 years before entering banking⁶². Moreover, assisting him from 1857 to 1874 was Hugh Cowan, another former Glasgow merchant and the son of an Ayrshire banker. Together they preserved long-standing connections with, for example, the Glasgow merchant house James Finlay and Co. and when James Finlay and Co. diversified, moving from the importation and processing of cotton into that of tea, jute and shipping as well as owning tea plantations, Royal Bank remained in place to meet its growing credit needs⁶³. Such long-term links conferred important advantages. They allowed a bank to acquire confidence in its customers and a greater understanding of their needs, while the frequent intimacy of the business relationship facilitated detailed monitoring of customer behaviour. But, although able to maintain long-term links, the overriding impression is that Robertson and Cowan were well thought of and well connected (Robertson's retirement was celebrated at a dinner organised and attended by the city's leading citizens), but by and too the leading businessmen of an earlier era. Towards the end of the century an ageing senior management team exacerbated this problem. In 1889 Robertson's assistant died and was replaced by a 67 year old who died in 1892 and was in turn replaced by a 66 year old who lasted until 1896; then in 1897 the Accountant died⁶⁴. New or at least younger blood was needed if only to achieve some semblance of stability. One proposal was to appoint a special inspector who would "by mixing freely with the public endeavour to discover fresh sources of business"⁶⁵. Another solution intermittently considered at Bank of Scotland was the establishment of a Glasgow board. However, head office would apparently not contemplate such a dilution of its authority or appoint a special inspector.

Instead, the task of finding new business fell to A. S. Michie who was brought up from London and appointed Glasgow Cashier in 1890.

⁶² Archibald Robertson "Men You Know", *The Baillie*, 16th Jul. 1890; RBM 2nd and 9th Nov. 1853, 1st May 1857.

⁶³ J. Scott and M. Hughes, *op. cit.*, pp. 34-35; For examples of advances made to James Finlay and Co. see RBM 13th Oct. 1882, 15th Jun. 1898, 7th, 12th and 21st Dec. 1898, 10th Dec. 1902

⁶⁴ Data derived from the 2nd, 8th, 12th and 23rd entries in the staff books.

⁶⁵ RBM 13th Dec. 1893

Michie drew upon his London experience to inaugurate a new style of banking, actively increasing lending against shares to individuals and companies. Throughout the next two decades this form of lending was the main source of new business at Glasgow. Ideally lending against shares was an outlet for deposits when the demand for credit from trade and industry was low. For example, in 1898 when a Glasgow stockbroker requested the continuation of a client's £50,000 advance while holding other Royal Bank loans on his books, Michie refused as demand from mercantile customers was then increasing⁶⁶. Lending against shares was judged a problematic activity, not least because of its association with speculation. Borrowers were considered fickle in their attachment to a bank and a poor source of introductions to other customers. Shares were a labour intensive security requiring vigilance to ensure a sufficient margin was maintained between their realisable worth and the amounts they were held against. Then there were those delicate situations that arose when a banker's opinion of a share's future worth differed from a customer's. Finally, lending against shares exposed a bank to whatever was fashionable to invest in as in 1900 when £307,000 of the £1,100,000 advanced at Glasgow was against mining securities⁶⁷. The board noted that there were no immediate dangers, but were concerned such a position might cause difficulties in the near future. Despite this lending against shares increased as a percentage of total bank advances from approximately 9 per cent in the 1880s to 13 per cent in the 1890s and 14 per cent in the 1900s⁶⁸.

In the 1900s concerns about lending in Glasgow shares ended after a new two-track approach was adopted. In 1903 the last critical report on Glasgow was compiled, then Archibald Dennistoun was brought up from London to deputise for Michie, eventually replacing him in 1910⁶⁹. The appointment of Dennistoun strengthened the capacity of the main Glasgow office to manage lending against shares, leaving the hoped for expansion of lending to trade and industry to occur at the St. Vincent Street branch under the charge of James Macara.

⁶⁶ R. Michie, op. cit., p. 186

⁶⁷ RBM 5th Dec. 1900

⁶⁸ RB 419 Balance Sheet of the Royal Bank of Scotland

⁶⁹ *Scottish Bankers Magazine*, 1914, no. 23

Macara had been carefully groomed to fulfil this task. After coming to prominence in 1890 as the Glasgow Accountant he ran a Glasgow branch, then spent three years in the Head Office Inspection Department where he implemented head office guidelines and gained experience in every form of lending undertaken in Scotland. A safe pair of hands, Macara returned to Glasgow in 1902 to successfully take charge of the St. Vincent Street branch. His success was such that St Vincent Street regularly earned more on a smaller volume of lending than the main Dundee office⁷⁰.

Lending at the main Dundee branch became a recurring concern following the retirement of the Boase brothers in 1867. Their deputy George MacKenzie, who was assisted by the nephew of Charles Boase to ensure local connections were retained, replaced them⁷¹. MacKenzie was not given to following orders or cautious banking and in 1871 the board judged overdrafts at Dundee too many, too large and too often permanent in nature⁷². Despite repeated warnings MacKenzie maintained this approach to lending and from 1871 to 1883 Dundee acquired bad debts at a higher rate than any other branch, losing twice as much in total as the main Glasgow office on a far smaller volume of business. Nor was MacKenzie an effective manager as during his time in office an agent under his authority committed a notable fraud⁷³. However, what he could do was find new business. Lending at Dundee increased and with this in his favour MacKenzie remained in place until forced to resign due to ill health in 1885⁷⁴. When replacing MacKenzie the board sought to balance local connections with restraint by appointing the nephew of Charles Boase to a joint agency with an agent

⁷⁰ *Scottish Bankers Magazine*, 1921, no. 50. That Alexander Wright recommended Macara to the secretary of the Institute of Bankers as a suitable subject of a profile in *Scottish Bankers Magazine*, an honour usually confined to senior head office officials and the managers of the main Glasgow, Dundee and London offices, is a measure of the high regard in which he was held. On the profits earned at St. Vincent Street see for example RB 484/25, *Establishment Book of the Royal Bank of Scotland*

⁷¹ RBM 6th Nov. 1867

⁷² A detailed report on lending at Dundee was presented in 1883, see RBM 9th May 1883, for earlier comments see for example 29th Nov., 4th and 24th Dec. 1872, 3rd Sept. 1873, 27th Jul. 1877, 9th & 14th Aug. and 4th Sept. 1878 and 27th Aug. 1884

⁷³ RBM 26th Jun. 1878

⁷⁴ RBM 24th Aug. 1877, 13th Dec. 1882, 12th Nov. 1883 and 24th Jul. 1885

brought in from Arbroath - an indication of head office doubts about the nephew's abilities that soon proved justified⁷⁵.

The new arrangement quickly proved unworkable. A report later noted that there was "an unmistakable want of harmony between these gentlemen" sufficient to leave a sub-agent under their authority considered amiable, trustworthy but physically incapable of actively representing the Bank's interests, free to manage his lending as he saw fit⁷⁶. Consequently, unsecured lending reoccurred on a scale that resulted in the Bank recording its first internal annual losses in 1894⁷⁷. Royal Bank may also have shared in the Clydesdale Bank's misfortune of lending to an unscrupulous Dundee jute broker who forged his accounts and bills of exchange⁷⁸. However, the minutes do not detail the transactions on which losses were made, only that all three agents were asked to resign and replaced by staff brought in from Head Office, Glasgow and London who introduced a more orthodox approach to lending⁷⁹.

Business at London was by comparison developed with deliberate caution. In 1874 J. T. Horley was recruited from the Bank of England to manage the office and expected to adhere to strict lending principles set out by the Cashier and the board. Growth was to be achieved by the "careful selection of accounts rather than an anxiety to do a large business"; speculation was to be avoided; small bill brokers with whom only Horley was familiar, were discouraged; and it was "Scotch customers who have the first claim on the bank's Scotch resources"⁸⁰. Daily correspondence with head office, regular inspections and Horley's noted caution ensured that these principles were adhered to. After James Finlay and Co. opened the first London account, new customers were quickly found in English trade and industry, enabling the branch to generate a net profit of £5,838 in its third year on 450 accounts⁸¹. Lending was predominantly to bill-brokers, Scottish firms

⁷⁵ RBM 17th Aug. 1885

⁷⁶ RBM 23rd Feb. 1894

⁷⁷ RB 419, p. 136

⁷⁸ C. W. Munn (1988A), p. 119

⁷⁹ RBM 5th & 12th Dec. 1894

⁸⁰ RBM 25th Oct. 1876 and 16th Nov. 1877

⁸¹ RBM 10th Oct. 1877

issuing London bills and other banks. In 1898 the largest accounts belonged to the Cumberland Union Bank, the Bank of British North America and Scottish Widows⁸².

In the 1900s Horley's successors deepened the involvement of the London office in city finance. Private banks, which borrowed to support their business arranging loans for foreign local and national governments, began offering Royal Bank shares in these and other ventures alongside other banks⁸³. Syndicate lending became a routine part of the Bank's London business and between the wars Royal Bank began participating in underwriting syndicates, which facilitated foreign government and railway share issues⁸⁴. All this made the office very much a part of the city, however, providing London facilities for other, mainly foreign banks remained the source of its largest accounts. These included the Bank's foreign correspondents the Bank of British North America, which began operating a record £1,100,000 credit in 1909⁸⁵. Such connections also facilitated lending overseas. For example, the Bank of British North America held shares used as security for Royal Bank advances to companies in New York⁸⁶.

The contrasting experience of the Bank in London, Glasgow and Dundee from 1902 - 1918 is depicted below in figure 3.1 using internal data, which recorded the annual profits earned at each office. Annual profits fluctuated widely in each location, however, important trends are discernible. At Dundee, although modest growth occurred, the losses recorded in 1905 show it remained a dangerous place to bank. Even so, it avoided the dip in profits that occurred in London and Glasgow in 1909 and 1911, indicating that it followed a regionally distinctive business cycle. Profits generally declined at Glasgow after 1902, a trend exacerbated by rising prices. Despite some recovery towards the end of the period, most likely due to the upturn in industrial activity in the run up to the First World War, profits remained

⁸² RB 684 letters from London manager to the Cashier dated 12th Aug. and 16th Nov. 1898

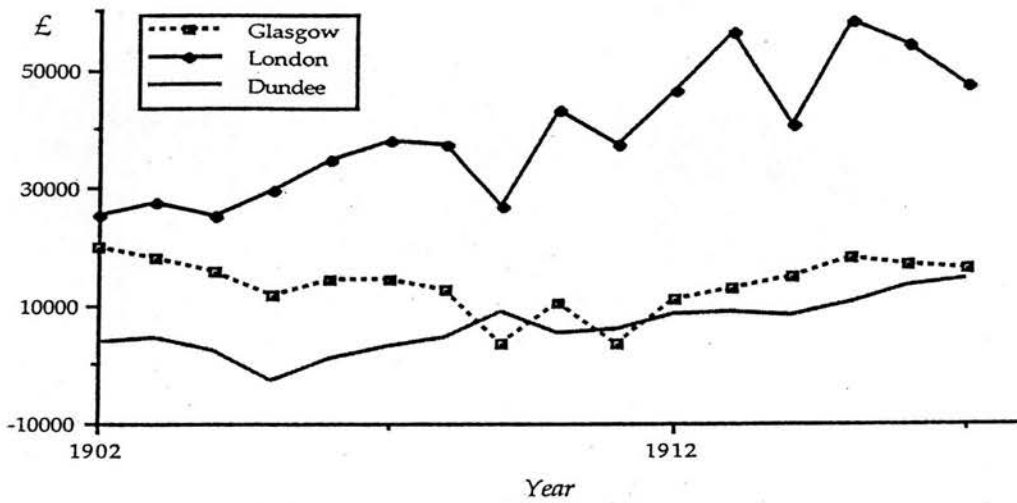
⁸³ for example see RBM 11th Oct. 1907, 6th May 1908 and 25th Jun. 1909

⁸⁴ For various examples of this before and after the First World War see RBM 29th May 1912, 28th Jul. 1913, 30th Jul. 1924, 29th Jun. 1927, 17th Dec. 1930 and 23rd Jan. 1931

⁸⁵ RBM 2nd Jun. 1909

⁸⁶ RBM 3rd May, 5th Jun. 1912, 29th Oct. 1913, 23rd Jan. and 3rd Jun. 1914

Figure 3.1: Annual Profits earned at the main Dundee and Glasgow offices and at the London office of the Royal Bank of Scotland, 1902-1917 (£. s at current prices)



Source: RB 484/S *The Establishment Books of the Royal Bank of Scotland*

at a lower level (at current prices) than in 1902, a sign of the relative failure to participate in lending to trade and industry in the west of Scotland. Strong growth was confined to the London office where the Bank capitalised on connections made through the provision of standard banking facilities by using these to cautiously adopt new lines of business. Indeed, by 1914 the London office contributed more than double the combined profits earned at Glasgow and Dundee. This success most likely underpinned the decision to transfer London ways to Glasgow detailed above.

The onset of the First World War halted the expansion of the branch network and Royal Bank joined the Scottish banks in lending to government to finance the war effort. Shares were taken in successive war loans, credits were arranged at London to finance the import of meat and sugar, and securities lent to assist in the regulation of the American Exchange⁸⁷. At Royal Bank the inquest into how Scottish banking should be conducted after the war saw Adam Tait resign in

⁸⁷ N. Munro, *op. cit.*, pp. 302-309

favour of Alexander Wright who on acquiring the new title Cashier and General Manager quickly made his presence felt at the General Managers' Committee⁸⁸. There he opposed the proposal to establish a Joint Foreign Exchange Bank, then joined in the politics of the General Managers' Committee by requesting a joint submission from the Commercial and Union Banks during a debate on altering the method of calculating discount rates. His peers regarded this as little more than a delaying tactic⁸⁹. However, his abilities (see below) were soon recognised and he was invited to represent the Scottish banks on the influential Cunliffe Committee on currency and the foreign exchange in 1919. There he displayed an attachment to tradition and a concern with inflation. In a submission largely confined to a defence of the Scottish note issue, he argued that it should be retained and stated that he did not trust Bank of England notes because the government controlled "the printing press"⁹⁰. This combination of new contacts and respect for tradition became the hallmark of Royal Bank between the wars.

3.4 Turning the tables, 1918-1939

Despite the problems of the Scottish economy Royal Bank entered one of the most successful phases in its history between the wars, regaining the single largest share of Scottish bank deposits and advances. This success rested on several factors. First, the greater role played by government in the financial system and the economy more generally was key. As at every bank government debt became the foundation of bank assets, not just the main source of bank liquidity. Government guarantees also propped up a number of substantial industrial customers, while government sponsored industries provided new business. Second, and unique to Royal Bank was an ability to capitalise upon its continued independence and the greater freedom it enjoyed following the earlier difficulties experienced in lending in the west of Scotland. This meant it had a smaller proportion of its assets

⁸⁸ RBM 21st Feb. 1917

⁸⁹ CS 205 letter to Commercial bank general manager about proposed foreign exchange bank, 1918; CS 207 (and 208) Notes on a joint foreign exchange bank compiled by the general manager of the Commercial Bank, letters on discount rates, dated 23rd Jul. 1919

⁹⁰ RB 475 Notes of Evidence for Submission to the Committee on Currency and Foreign Exchange on Behalf of the Scottish banks

locked up in lends to troubled industrial customers. The architect of this success was Alexander Wright who found innovative ways of working with the grain of the 'A and Us' by augmenting the Bank's English interests through acquisition and affiliation. Acquiring three English banks gave Royal Bank access to new markets as well as scope for administrative efficiencies and scale economies in the delivery and marketing of services. In addition, acquisition left Royal Bank better placed to take on larger lends individually or in conjunction with other banks, increasing its range of possible customers.

Royal Bank shared the unaffiliated banks' concern with scale and in Scotland embarked on a sustained branch network expansion programme. When an application was received from an aspiring agent, the nearest agent would investigate the location and the applicant then report back to head office. As every bank adopted this strategy competition intensified to a point where the personal failings of a rival agent were reason enough to open a new branch. For instance, a branch was opened near Battlefield in Glasgow after the Union Bank agent was identified as "an energetic individual ... but who is not entirely popular"⁹¹. A number of other locations were already known, for example, a Kirkconnel branch was considered in 1908 and again in 1925⁹². A note was kept of each location and potential agents in the hope they might eventually be called upon to open a branch. The purpose of the branches was made clear when a branch at Tollcross in Glasgow was discussed: "an industrial district mostly of the working class, except further east where a better class of people and houses is apparent" and where a branch could expect to secure "Savings accounts from the newer population in the nearby housing scheme"⁹³. To secure savings accounts the network was increased from 167 branches in 1918 to 257 branches in 1938 (a majority being opened in the 1920s), the third largest network in Scotland⁹⁴. In addition more intensive use was made of the existing network. To encourage deposit gathering an increasing

⁹¹ RB 406/15

⁹² see RB 406/7

⁹³ RB 406/12

⁹⁴ RB 419

number of agents - a peak of 54 in 1920 compared to 17 in 1901⁹⁵ - were paid a commission according to the volume of deposits they attracted.

These two factors helped Royal Bank acquire the second largest share of Scottish bank deposits in 1919 and the largest in 1922. The English acquisitions discussed below merely enhanced this lead. The acquisition of Drummonds in 1924 plus the continued expansion of the branch network raised deposits to £64.01 million in 1935, an unprecedented 21.29 per cent of Scottish bank deposits and well ahead of the £40.78 million (13.62 per cent) held by the Commercial Bank in second place⁹⁶. Deposit growth also reduced the capital ratio. Wartime inflation had previously reduced capital and the reserve from 13.47 per cent of total public liabilities in October 1914 to 6.99 per cent in October 1919. Subsequent additions to capital restored the ratio to a more reassuring 12.33 per cent of total public liabilities in 1931, before it was allowed to reduce once more.

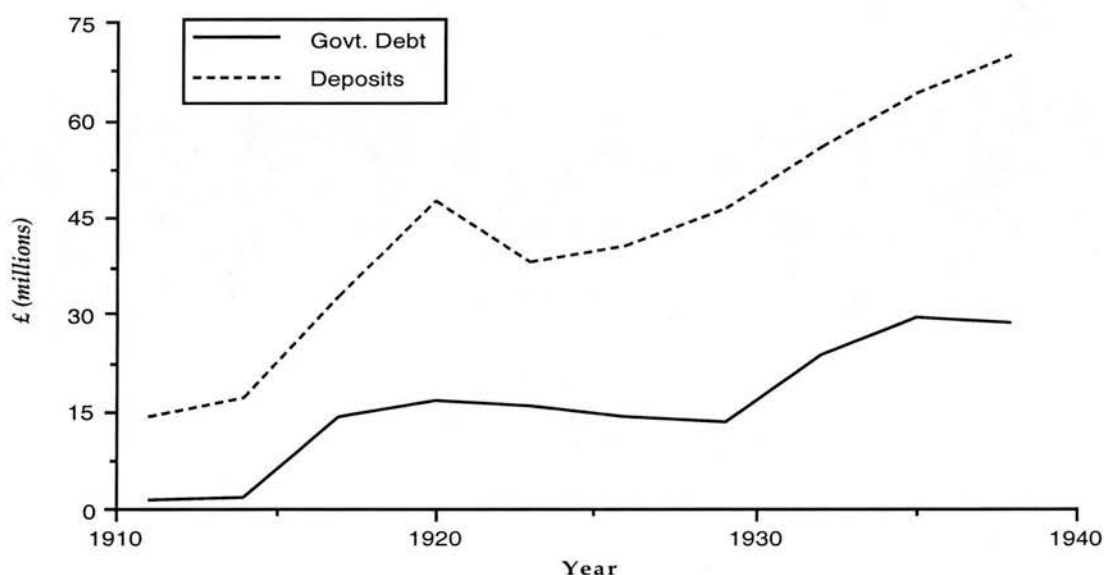
Although these developments were no doubt gratifying the main head office concern between the wars was lending. As at every other bank, lending to government increased with holdings of treasury bills and other government securities growing from £1,385,933 in 1911 to £10,821,798 in 1929, proportionately well ahead of the increase in deposits from £14,455,195 to £46,235,129 over this period. In general lending to government, depicted in figure 3.2 below, followed the Scottish (and English) pattern of rapid growth during the First World War, decline throughout much of the 1920s - though remaining at a higher level than before 1914 - before reviving once more in the 1930s. However, government debt remained a substantially smaller percentage of Royal Bank assets than was the norm for a Scottish bank, a reflection of Alexander Wright's more adventurous approach to banking. For example, at a meeting of the general managers Wright noted: "The Scottish Banks have always, we consider, been strong on the liquid side"⁹⁷. However, to put this into practice required opportunities to lend to the private sector.

⁹⁵ RB 484/S Establishment books of the Royal Bank of Scotland

⁹⁶ RB 419 "Deposits of the Scotch Banks"

⁹⁷ NS 210 Minutes of Meetings of Bank Managers, 4th Feb. 1931

Figure 3.2 *Royal Bank of Scotland Lending to Government, 1911 - 1938*
(£s at current prices)



Source: "Liabilities and Assets of the Royal Bank of Scotland", RB 419

The experience of lending in Scotland between the wars can be judged mixed at best. Royal Bank shared in the common experience of propping up troubled industrial customers, including Beardmores, a heavy engineering conglomerate, and Harland and Wolff, a Belfast firm with substantial interests in the Scottish shipbuilding and steel industries⁹⁸. Both companies expanded rapidly immediately after the war then experienced profound and prolonged difficulties. Harland and Wolff acquired a number of established companies and their bankers, operating accounts with eight Scottish, English and Irish banks during the 1920s. This arrangement both complicated and limited the security available, while preventing any one bank from knowing precisely the state of the company's entire affairs or exercising much leverage for

⁹⁸ M. Moss and J. R. Hume, *Shipbuilders to the World 125 Years of Harland and Wolff*, (Belfast: Blackstaff Press, 1986), pp. 138-346 and *Beardmores The History of a Scottish Industrial Giant*, (London: Heinemann, 1979), pp. 171-233

fear of losing the account to a less opinionated rival. The stasis this induced became particularly uncomfortable at Beardmores, which operated accounts with Royal Bank, National Bank and Lloyds Bank. Inter-bank tensions complicated matters when the company became insolvent in the late 1920s. Royal Bank and National Bank met to discuss their shared client while allocating funds to special contingency reserves to accommodate the expected bad debts. Relations became strained when the chairman of Beardmores', Lord Invernairn, began playing the banks off against each other during his campaign to retain control of a company he had hastily grown into an unwieldy industrial giant. When National Bank secured an apparent advantage and Wright learned that Royal Bank was not (as he had been led to believe) the only recipient of Lord Invernairn's personal guarantee, he noted "we have a serious grievance against him in this respect"⁹⁹ as besides the issue of trust, this threatened to compromise the security for the debt.

More positively, Royal Bank benefited from state intervention and was able to overcome long-standing limitations in its Scottish organisation. Treasury guarantees eventually underwrote the substantial advances tied up in Harland and Wolff and Beardmores, which came good in the thirties. Of more immediate benefit was the state sponsored creation of a British sugar beet industry once the Glasgow based Anglo Sugar Beet Corporation became a borrowing customer¹⁰⁰. Elsewhere, a concerted effort was made to improve the Bank's presence in Aberdeen. New branches were opened and the main agent vigorously cultivated local connections, becoming a leading Rotarian and member of Aberdeen University Court. On his retirement in 1929 the same agent noted:

"When I count the changes in Agencies of the South Banks since I came here it suggests that Aberdeen is an exacting centre: the Clydesdale Agent died in harness, the Union Agent was scarcely at business in his last year, the

⁹⁹ notes on Beardmores dated 20th Nov. 1927 included in RB 684 London Manager's Letters 1897-1898

¹⁰⁰ S. Pollard (1983), pp. 83-84. For examples of the loans made see RBM 21st Feb. and 28th Oct. 1925 and 28th Jul. 1930

National Agent retired at 60, while two British Linen Agents went wrong and were dismissed"¹⁰¹.

Benefiting from the misfortune of others, substantial loans finally began being made at Aberdeen to customers including companies operating in the important fishing industry¹⁰².

The merger wave that affected British industry between the wars had more ambiguous consequences, severing long-standing connections, while creating significant new opportunities. Whereas Harland and Wolff saw banks being brought together, elsewhere business was lost to the acquisitive company's bankers. The affiliated banks were at less of a disadvantage in this respect. While Union Bank lost the Tennants Chemical Company accounts when it became part of ICI, in 1928 Sir Harry McGowan, the architect of ICI and a Midland Bank director, promised to promote connections between the chemical industry in Scotland and the Clydesdale, the Midland's Scottish affiliate¹⁰³. However, Royal Bank's independence saw it benefit from Scottish business concerns about the loss of autonomy following the English affiliations. It lent to Scottish companies involved in mergers in papermaking and gained its largest ever borrower when Distillers was remade as an industrial giant¹⁰⁴. Only the demand for shipbuilding fell further than the demand for whisky, yet Distillers was able to expand, reorganise and diversify its interests to become the sixth largest British company in 1930¹⁰⁵. Beginning with a £2 million advance granted in 1922 Royal Bank credit financed Distillers' acquisitions policy¹⁰⁶. Half was quickly repaid using the cash reserves of the acquired companies with the remainder repaid over five years at £200,000 per annum. Then a further £1 million advance was granted for nine months to finance

¹⁰¹ RB 61/9 letter no. 1728 dated 6th Mar. 1929

¹⁰² for example see RBM 4th and 9th Nov. 1921

¹⁰³ Munn, also notes, however, that the Midland Bank attempted to poach the more profitable customers of the Clydesdale Bank, C. W. Munn (1988A), pp. 160-161; A. Cameron, op. cit. p. 180

¹⁰⁴ for examples of loans used in mergers and acquisitions in the paper industry see RBM 20th Sept. 1922, 8th Jul. 1925 and 17th Aug. 1927

¹⁰⁵ R. Weir, "Rationalisation and diversification in the Scotch whiskey industry, 1900-1939: another look at 'old' and new industries", *Economic History Review*, XLII, (1989), pp. 375-395; L. Hannah, *The Rise of the Corporate Economy*, 2nd ed, (London: Methuen, 1983), p.73 & 102

¹⁰⁶ RBM 5th and 19th Jul. 1922

more acquisitions¹⁰⁷. Distillers subsequently used internal funds to finance a move into the manufacture of industrial alcohol, then it and associated companies returned in 1937 and 1938 to secure three credits of £400,000, £500,000 and £1,000,000 operated at the London office and used to finance overseas trade¹⁰⁸.

The unique strategy pursued at Royal Bank of expansion and diversification through acquisition becomes intelligible in light of this Scottish experience, even more so given the growth in profits earned in London immediately before and after the war. The damage done by the war to international German financial interests saw new business found at London serving English and international customers. London links were cultivated with banks and businesses in central and eastern European countries including Latvia, Estonia and Czechoslovakia, independently and in conjunction with various private banks. Moving north to Scandinavia, business was found in Sweden, Norway and Iceland. A cluster of Finnish firms engaged in the production and export of timber products - a good fit for the Bank's papermaking customers - provided the largest single source of new business, operating discount accounts and borrowing sums that ranged from £150,000 to £400,000 in the 1930s¹⁰⁹. Their importance is evident in the career of William Whyte who built his reputation as an expert on the "Finnish position" while in charge of the London foreign department before replacing Wright as Cashier and General Manager¹¹⁰.

Of course, success in London and the desire to find new business outside Scotland was not unique to Royal Bank. What set it apart was its relatively light exposure to bad debt in Scotland and Alexander Wright's personal reputation and close links with London's financial elite¹¹¹. The former lent a degree of flexibility and was most likely a consequence of the earlier difficulties experienced in lending to trade and industry in the west of Scotland. The latter at first sight appears surprising given Wright spent his entire career in Scotland. However, Wright stood out

¹⁰⁷ RBM 22nd Jun. 1927

¹⁰⁸ RBM 3rd Nov. and 22nd Dec. 1937, 31st Mar. 1938

¹⁰⁹ see for example RBM 11th Apr. 1934, 10th Apr. 1935, 2nd Dec. 1936, 14th Apr. 1937 and 27th Apr. 1938

¹¹⁰ RB/61/9 letter nos. 1676 & 1677; RBM 27th Sep. 1933

¹¹¹ R. Saville, *op. cit.*, p. 543

amongst his peers. While working as a head office clerk he took a first class degree in law and economics at Edinburgh University in his spare time and was soon recognised as an expert on law as it affected banking in Scotland¹¹². Then, during the First World War as Secretary of the Bank he chaired the National Savings Campaign in Scotland, for which he received a knighthood. Further honours followed including service on treasury committees immediately after the war and in 1923 and 1925, as well as the vice-presidency of the then newly formed British Bankers Association¹¹³. Learned, public-spirited and in command of Scotland's second oldest bank, Wright enjoyed an unparalleled reputation outside Scotland that brought him into close contact with leading financial figures who were to play a key role in almost every English acquisition.

The expansion of Royal Bank's London interests began in 1924 with the acquisition of the long established London private bank Drummonds¹¹⁴. No clear rationale for the take-over from the Drummonds perspective appears in the Royal Bank minutes leading up to the acquisition. However, the death of an elder member of the Drummonds family shortly afterwards and a number of issues raised by the Royal Bank board about the personal finances of surviving members indicates succession was a concern and probable motive. To ensure Drummonds distinctively aristocratic clientele was retained a joint letter was issued to customers emphasising Drummonds' Scottish origins and describing the takeover as a fusion¹¹⁵. The continued involvement of the Drummonds family was a condition of the purchase and they remained involved in the day-to-day business of what effectively became another branch, though with a local board¹¹⁶. The appointment of a Royal Bank official to a senior position at Drummonds, the integration of its accounts with Royal Bank and the direct supervision of the Drummonds' personal dealings supplemented

¹¹² *Scottish Bankers Magazine*, 1912, no. 12; IOB letter bk.3, 15th Nov. 1897

¹¹³ *Scottish Bankers Magazine*, 1933, no. 99

¹¹⁴ S. G. Checkland, op. cit., p.578

¹¹⁵ letter dated 2/1/24 included in RB 116/2

¹¹⁶ 2/1/24, 16/1/24 and letter dated 22/12/23 included in RB 116/2,

this arms length control¹¹⁷. The arrangement worked and for perhaps the first time in its history the Royal Bank board found itself assessing the value of a diamond and a tiara offered as part security on a £204,000 advance to a Duke¹¹⁸.

The financial benefits of acquiring Wm. Deacon's Bank, a joint-stock bank operating primarily in the North of England and comparable in size to Royal Bank, were less apparent. The involvement of Wm. Deacon's in Bank of England sponsored attempts to rationalise the depressed Lancashire cotton industry left it carrying £4 million in bad debts in 1928 and close to collapse¹¹⁹. Failure would have damaged confidence in the banking system and threatened any future government sponsored attempts at reorganising depressed industries. To avoid this Montagu Norman recommended it be taken over, but having barred further concentration in English banking could not involve an English bank or its Scottish affiliates. The involvement of Royal Bank provided an ideal solution. The acquisition of Drummonds had raised Wright's standing in the Treasury, bringing him into favour with Montagu Norman. Moreover, as a merger would raise questions about the Royal Bank note issue, the Scottish desire to preserve this right now allayed English fears about the separate identity of a bank being lost¹²⁰. Royal Bank potentially stood to benefit from the politics of banking; however, its directors were understandably less sure. It required a £4 million contribution from the Bank of England and the opportunity to purchase its London West End branch on generous terms to convince them¹²¹. The latter lent the Bank's growing London operations, including new branches on Bond Street and in West Smithfield, an unmatched status rendered tangible by the temporary

¹¹⁷ a substantial file was compiled on the personal activities of members of the Drummond family, see for example RB 116/8

¹¹⁸ RBM 18th. Aug. 1926

¹¹⁹ RBM 23rd Jul. and 20th Aug. 1930; S. G. Checkland, *op. cit.*, pp. 578-580; R. Saville, *op. cit.*, pp. 542-544; M. Collins, *Banks and Industrial Finance 1800 - 1939*, (London: Macmillan, 1991), pp. 77-78; R. S. Sayers, *The Bank of England 1891 - 1944*, vol. I, pp. 253-259, (Cambridge: Cambridge University Press, 1976)

¹²⁰ In 1922 the desire of the Wm. Deacon's directors to retain the separate identity of their bank blocked a proposed merger with the Midland Bank, see S. G. Checkland, *op. cit.*, pp. 578-579

¹²¹ for example Bank of England retained responsibility for the pensions of its former staff after they transferred to Royal Bank, see letter dated 14th Jul. 1930 included in RB/19/S

right to use the Bank of England brass plate attached to the doorway and remaining supplies of Bank of England stationery¹²².

These acquisitions introduced Royal Bank to new and profitable markets in England. After acquiring Drummonds Royal Bank began financing the personal and social needs of the English upper classes, including the relatives of deceased aristocrats confronted by death duties, and various gentlemen's clubs¹²³. Besides the reputational benefits likely to have accrued from this, Royal Bank was well-placed to meet the financial and commercial banking needs of its newly acquired clients. For instance through Drummonds Bank and the Drummonds' personal interests Royal Bank became involved in property development, including a £330,000 advance for a property company in 1935¹²⁴. Towards the end of the 1930s the benefits of acquiring Wm. Deacons became apparent. The affiliation reduced running costs by giving Royal Bank direct access to the London clearing house, enhancing the facilities offered to existing foreign bank customers. Scale economies were achieved when the two banks began building upon their respective foreign services and sharing marketing costs¹²⁵. Finally, the two banks began sharing advances, for example, in February 1938 Royal Bank took half of a £400,000 Wm. Deacons lend and a £150,000 share of another in May¹²⁶. Such arrangements allowed both banks to retain the advantages of moderate size, while being able to lend larger sums safely.

The affiliation with Glynn, Mills and Co., then the largest remaining London private bank, provides a coda to the development of Royal Bank between the wars. Glynn, Mills and Co. worked alongside the Big 5 as second banker to a number of industrial customers. It was not in any difficulties, however, the youthfulness of its senior partners prompted concerns about succession and the effect of death duties as the Second World War approached¹²⁷. Once again Montagu Norman acted as matchmaker for a deal completed in 1939 using an exchange of

¹²² see letters dated 30th Mar. and 3rd Apr. 1933 in RB/19/s

¹²³ RBM 9th May 1934 and 25th Feb. 1935

¹²⁴ RBM 30th Jan. and 31st Jul. 1935

¹²⁵ detailed in a joint brochure issued in 1931 (RB 275)

¹²⁶ RBM 21st Feb. and 25th May 1938

¹²⁷ S. G. Checkland, *op. cit.*, pp. 579-580

shares that served to enhance Royal Bank's English interests and reputation at a time when much of the Scottish economy had only just emerged from the doldrums¹²⁸.

3.5 Conclusion

Royal Bank followed a distinctive path to reach much the same destination as every other Scottish bank. This distinctiveness can best be understood in terms of the Bank's particular identity and the ability of successive Cashiers to identify and act upon opportunities so as to profitably exploit their chosen markets, within the constraints imposed by collective agreement in Scotland.

The transformation undergone in the third quarter of the nineteenth century was unique only to the extent that its timing and method saw Laurence Robertson build a branch network upon the carcass of the Western Bank of Scotland. With the acquisition of the Dundee Banking Co. in 1864, Royal Bank finally participated in the series of mergers and acquisitions that had transformed the structure of the Scottish banking system¹²⁹. By doing all this Laurence Robertson established the Cashier as an official possessed of executive authority, which John Fleming subsequently used to complete the organisation of the Bank by opening a London office in 1874.

Thereafter, Royal Bank yielded to the carefully guarded co-operation that dominated Scottish banking after 1857 and served to render one bank largely indistinguishable from another. However, on another level its Edinburgh head office, royal charter and tradition of appointing successive Dukes of Buccleuch as Governor of the Bank, ensured there was no mistaking Royal Bank's distinctive regional identity and prestige. These same factors contributed to the sustained, relative decline in the Bank's fortunes; close links with Edinburgh and Scotland's financial and aristocratic elite carried the opportunity cost of distancing Royal Bank from trade and industry in the west. There was also an apparent loss of initiative. Tellingly, the men who had

¹²⁸ RBM 26th Jul. 1939. The role of Montagu Norman is referred to in R. S. Sayers, *op. cit.*, p. 251

¹²⁹ For a summary of take-overs, mergers, retirals and failures involving provincial banks c. 1826 to 1864 see tables 9 and 10 in C. W. Munn (1981), pp. 86-87

transformed the Bank had both learned their trade in the highly competitive Glasgow market. Neither were great innovators, rather their shared achievement was to inject current ideas into head office. In doing so they displayed a vigour and initiative, which their head office-bred successors lacked.

The initiative was only regained between the wars when Royal Bank embarked on a unique strategy of English acquisitions and achieved an unprecedented level of success as measured by its share of Scottish bank assets and liabilities. Much of this stemmed from the close links, which Alexander Wright formed with leading financial figures, above all with Montagu Norman. Identity was also important, but at a national rather than regional level as Royal Bank's independent Scottish status saw it benefit from nationalistic concerns about the independence of the affiliated Scottish banks. For the same reason it was able to pursue a policy of acquisitions that left concentration in English banking largely unchanged. The other major development between the wars was the increase in lending to government. Royal Bank shared in this, but to a lesser extent than its rivals, most likely because the significant additions made to its London interests introduced it to a wide range of new, private customers.

A point of importance to the argument of this thesis is how typical Royal Bank was of Scottish banking as a whole, particularly with regards to employment. The early organisation of Royal Bank developed in a unique way and certainly assumed a unique form following the English acquisitions. However, these remained separate entities, which with few exceptions, continued to be staffed by those working in them when they were acquired. Therefore, acquisition only impacted upon employment in Scotland to the extent that by enhancing lending it supported the parallel expansion of the branch network. A final example is provided by the apocryphal story told in every bank about some inspectors who descended upon a country branch to conduct an inspection. The chief inspector found everything to be in order, but noted the safe and the teller's draw contained too many rival bank notes. Eventually, it dawned on the inspector that he was in a branch of the rival bank. Even to the expert eye it seems one bank was

indistinguishable from another. This story supports the conclusion that Royal Bank, in its organisation, methods, administration and services, can be considered representative of Scottish banking as a whole.

Chapter 4: Employment at the Royal Bank of Scotland, 1800-1873

4.1 Introduction

The internalisation of the market is central to the history of employment in the later nineteenth century with the institutions where this occurred located at the heart of first Victorian then Edwardian society. George Square in Glasgow provides a notable example of this. By the 1880s buildings housing the great bureaucracies of the nineteenth century, a railway station, a post office headquarters, municipal buildings and bank offices surrounded this focal point of public life. In each of these locations employees were ordered and rewarded, not according to the market, but in line with carefully devised rules and regulations. Thus, much of the institutional infrastructure of nineteenth century life, it seems, was at a partial remove from the market. While numbers employed in these locations increased, comparable arrangements already existed or were introduced in a growing and eclectic range of other locations including the civil service, the Churches of Scotland and England, the steel industry¹ and the armed forces; an early example of large scale bureaucracy and important inspiration to the entrepreneurs of the industrial revolution who strove to come to terms with problems of scale and distance in their organisations². Employment in all these locations continued to increase and by the end of the nineteenth century railway companies were second only to the post office, an industry in itself, as the single largest employers of labour in Britain. Yet, historical research has focused primarily on manual work, particularly that of

¹ B. Supple, *The Royal Exchange Assurance A History of British Insurance 1720 to 1970* (Cambridge: Cambridge University Press, 1970); On employment in the steel industry see A. McKinlay, "Philosophers in overalls?: Craft and Class on Clydeside", in W. Kenefick and W. McIvor, *Roots of Red Clydeside 1910-1914 ?*, (Edinburgh: John Donald, 1996)

² On the development of bureaucracy in capitalist enterprises in the nineteenth century see S. Pollard, *The Genesis of Modern Management*, (London: Penguin, 1965); T. R. Gourvish, "Captain Mark Huish: A Pioneer in the Development of Railway management" *Business History*, 12, (1970), pp. 46-58; and C. Dandeker, *Surveillance, Power and Modernity*, (Cambridge: Polity Press, 1990)

men engaged in manufacturing and extractive industries, detailing the market for their labour, its rewards and the meaning and organisation of their work³. Consequently the history of employment remains seriously incomplete.

What employment in these other locations shared were some or all of the characteristics of an internal labour market (ILM), which can be defined by four basic features⁴. First, administrative procedures take the place of market forces; the employment relationship is partly governed by impersonal, bureaucratic rules with the pricing and allocation of labour occurring within organisations not in external markets. Second, employees are recruited at a limited number of "ports of entry"; usually lower level positions. Consequently, internal promotion is used instead of external recruitment to fill higher-level positions. Third, this assumes the existence of hierarchies and implies employment is long term, possibly lasting entire working lives during which participants pursue formal careers moving along well defined career paths within individual firms. Finally, employees frequently receive other benefits in addition to pay. As well as secure employment, these can take the form of employer welfare provision, another symbol of the long-term nature of employment and of particular importance in a historical study due to the limited availability and worth of state and voluntary welfare provision in the past.

The account of how the business of banking was conducted given in chapters 2 and 3 indicates banking provides a suitable example with which to examine the establishment and development of ILMs in Britain. Banks operated using a clearly defined hierarchical division of labour and authority. In each head office a general manager oversaw the daily management of the bank, beneath him senior officials assisted

³ A. Calder, "Workers' Culture/Popular Culture: Defining our Terms", *Scottish Labour History Journal*, 26, (1991), pp. 64-77

⁴ For definitions of internal labour markets see J. Creedy and K. Whitfield, "The economic analysis of internal labour markets", *Bulletin of Economic Research*, 40:4, (1988), p. 247, P. Milgrom and J. Roberts, op. cit., p.359

by clerks, functioned as departmental heads; the secretary attended to legal matters affecting the whole bank, the accountant supervised the internal accounts and the superintendent of branches oversaw business in the branches. Tellers handled cash while other clerks and apprentices undertook elementary bookkeeping and attended to routine office matters. In the branches agents oversaw business assisted by accountants, clerks and apprentices. All these positions were in theory linked by channels of promotion making careers central to employment, indeed towards the end of the nineteenth century it was possible to enter a bank as an apprentice, progressing from one stool to the next until reaching the managership of a bank without taking employment elsewhere.

This chapter examines the dynamic development of employment as an ILM at Royal Bank, focusing on the Mid-Victorian era when arrangements for ordering and rewarding staff were transformed. Few of the surviving sources record the rationale for the arrangements reached. Due to this and the limited historiographical context available accounts of ILMs drawn primarily from the economics literature are surveyed in section 4.2. Factors relevant to interpreting the development of employment are identified and their applicability assessed in subsequent sections concerned with three successive periods: 1800 to 1857; 1857 to 1871; and 1871 to 1873. These are distinguished primarily on the basis of the different approaches to employment taken by successive Cashiers. Section 4.3 details recruitment, training and career processes in the first half of the nineteenth century, identifying long-term employment and internal promotion as established attributes of bank careers. The style of labour management is also considered and characterised as a benevolent autocracy geared to securing faithful and loyal service in circumstances where opportunistic behaviour was possible, yet monitoring imperfect and costly. Section 4.4 examines how the adoption of branch banking impacted upon established arrangements and discusses those trends,

which emerged in career patterns: first, the transition to a near complete reliance upon internal promotion; and second, the emergence of a high turnover rate amongst new recruits. While these developments are depicted as a rational response to cost, this section also identifies the informal ability of staff to influence the distribution of pay and promotions as a significant factor in the allocative process. Finally, section 4.5 considers the changes implemented by James Fleming on becoming Cashier, arguing these were part of a broader series of measures driven by cost concerns and put in place to provide an effective means of managing what had become a substantial and complex organisation. However, what was unique about their timing, content and form was the desire to secure greater managerial authority over staffing matters.

4.2 Theory and internal labour markets

ILM theory is one response to the observation that labour markets do not clear in the way classical economic theory otherwise predicts. But, whereas Keynesian economics, for instance, seeks to explain persistent unemployment in relation to macro-economic imperfections, ILM theory has focused more upon micro-economic phenomena, in particular the confinement of certain individuals to particular sectors of the labour market and the structuring of employment within individual organisations. The apparent absence of market forces has seen interdisciplinary approaches developed to explain this along with the existence and operation of ILMs. However, Osterman notes an apparent tendency in sociological studies to accept ILMs as a given and concentrate instead upon the social consequences for the individual of participation⁵. For this reason this section examines different theories drawn primarily from the economics literature that have been advanced to explain the existence of ILMs.

⁵ P. Osterman, "White-Collar Internal Labour Markets", in P. Osterman, (ed.), *op. cit.*

As to why ILMs occur in some organisations and not others Williamson, working within the transaction cost approach (wherein the boundaries of the firm are seen to occur at that point where it is more efficient to replace market transactions with internal organisation) provides a list of necessary preconditions, which although read back into existing structures remain plausible⁶. He notes ILMs typically appear in large, diversified firms that benefit from stable demand for their products, where a diversified line of products are offered and at least some workers are transferable between lines. Such firms possess the capacity to offer the long-term employment that characterises ILMs, while remaining able to accommodate shifts in demand. The details of Scottish banking set out in previous chapters match this profile in several key respects. The adoption of branch banking made them substantial organisations and provided insulation from cyclical variations experienced by individual regions and industries. The carefully managed broadening of the bank customer base and capacity to shift lending from more or less speculative activities in accordance with demand, therefore smoothing earning profiles, lent additional stability. Finally, the establishment of the General Managers' Committee in 1857 served to contain the potentially destabilising effects of unrestricted price competition.

Kanter provides a more dynamic account wherein ILMs are shaped by the changing structure and technology of organisations, and develop in response to commercial pressures within the confines of a given social and regulatory environment⁷. What is important in this account is the pace of change not change itself. Where change is rapid or unpredictable, then the stability presupposed by the basic characteristics of ILMs is unlikely to be sustainable. Recourse is then made to the

⁶ O. E. Williamson, "Efficient Labour Organisation", in F. Stephen, (ed.), *Firms, Organization and Labour*, (London: Macmillan, 1984)

⁷ R.M. Kanter, "Variations in Managerial Career Structures in High-Technology Firms: The Impact of Organizational Characteristics on Internal Labour Market Patterns", in P. Osterman, (ed.), *op. cit.*

external labour market, as internal resources cannot supply the necessary quantity or quality of labour demanded. This in turn has repercussions for established hierarchies and career paths, which are likely to be disrupted. On the basis of this interpretation we would expect to find the administrative challenge posed by the adoption of branch banking had significant consequences for employment, with the stasis that characterised the subsequent organisation and technology (as well as legislation) accompanied by a corresponding stability in employment arrangements.

These accounts provide clues as to where to find ILMs and why they change, but do not establish why they are implemented in the first place. To do so Williamson uses a neo-classical approach to argue ILMs provide an efficient means of managing labour, with skill specificity and monitoring as key variables⁸. First, where skills are firm specific then the prospective rewards offered in an ILM will encourage workers to invest in acquiring them, while employers benefit from reduced training and turnover costs. The second variable derives from the assumption that economic actors are opportunistic in their pursuit of individual self-interest. In particular, when workers are able to acquire a monopoly of knowledge regarding their jobs due to "task idiosyncrasy", then they will not willingly disclose all the information they have and exploit their position to secure higher returns. In circumstances where monitoring is not possible and/or costly then an ILM provides an efficient solution by engendering a "social contract"; a shared belief that opportunistic behaviour is against the interests of the organisation in which all have a common interest.

Williamson purposefully makes no allowance for other, sociological factors, particularly the single-minded pursuit of power, which he dismisses as an irrational distraction that, if present, will eventually disappear during the pursuit of optimum efficiency,

⁸ O. E. Williamson, *op. cit.*

although what constitutes efficiency remains unspecified. Radical economists instead argue that sociological factors are the primary determinant of ILMs. Edwards contends that such arrangements embody a strategy of divide and rule; they prevent the development of class-consciousness amongst workers, allowing employers to maintain control over the production process⁹. Similarly, on the basis of a historical case study of the North American steel industry, Stone argues that employers followed up a violent strike by imposing an ILM to break militant trade unionism¹⁰. As in Edwards' account homogeneous work groups conducive to the formation of a collective consciousness were replaced by individual workers scattered across intricate pay and promotion ladders unrelated to the actual content of their work. In a variation on the Marxist false consciousness argument, both authors contend that in firms where ILMs are established the fundamental struggle over control of the productive process is replaced by individuals exclusively concerned with the operation of company rules and the allocation of rewards.

However, Radical approaches can be criticised on various grounds. Whereas they take class-consciousness and class action for granted, class is a vigorously contested source of social identity and explanation of social behaviour¹¹. Similarly, the priority given to conflicts over production as opposed to the allocation of rewards is largely a matter of political conviction. Moreover, different theoretical orientations have produced conflicting accounts. The neo-Weberian Lockwood, for example, in his classic account of white collar class-consciousness depicts the introduction of arrangements similar to those Edwards describes as facilitating the development of trade unionism¹². Clerks who once worked alongside their masters were alienated by the

⁹ R. Edwards, *Contested Terrain*, (London: Heinemann, 1979)

¹⁰ K. Stone, "The Origins of Job Structures in the Steel Industry", *Review of Radical Political Economics*, Summer, 1974

¹¹ For an introduction to recent debates over class see R. Crompton, *Class and Stratification An Introduction to Current Debates*, (Cambridge: Polity Press, 1993) and P. Joyce (1995)

introduction of bureaucratic rules and procedures governing working conditions. Placed at a social and organisational remove clerks responded by taking part in trade unionism. Furthermore, the job security and stable wage rates available within ILMs were and are valuable prizes in a free market economy and neither need be compatible with maximising profit, which as Grint notes is the primary concern of employers¹³. Thus, Rubery argues that in Britain organised labour has played an important part in the development, shaping and retention of ILMs and proved able on occasion to resist employer led changes, which threatened their continuation¹⁴. However, radical approaches remain important because they emphasise the potential divergence of interests between employers and employees and unlike Williamson, do not assume that social contracts can be achieved and maintained (or are even desirable).

Although critics have established that the development of ILMs is a more complex and contested process than Radical accounts initially assumed, we need to establish whether the "divide and rule" thesis is appropriate to banking in any form. A tendency among proponents and critics of the radical approach is to equate the ability of workers to influence managerial decisions with the existence or not of trade unions. For instance, as these did not exist anywhere in banking before the twentieth century Seltzer dismisses the possibility that staff influenced the development of ILMs in Australian banking¹⁵. Yet the strike record among female workers in the Victorian and Edwardian Scottish textile industry, for example, is evidence of a capacity for militancy and self-organisation, albeit spontaneous and short-lived, at a remove from

¹² D. Lockwood (1989)

¹³ K. Grint, *op. cit.*, p. 196.

¹⁴ J. Rubery, "Structured Labour Markets, Worker Organisation and Low Pay", in A. Giddens and D. Held, (eds.), *op. cit.*

¹⁵ A. Seltzer, "The Nature and Causes of White-Collar Internal Labour Markets: Historical Evidence from the Union Bank of Australia", (unpublished paper 1998?)

organised labour¹⁶. Of more immediate relevance is Tamaki's description of a series of joint applications for salary increases sent by staff to the board of the Union Bank of Scotland in the 1850s as an example of collective bargaining¹⁷. Therefore, the absence of trade unions in itself does not provide immediate grounds for dismissing the "divide and rule" thesis, or in a modified, more plausible form, the ability of employees to influence the terms of employment, advancing their interests at the expense of their employers.

Institutional analyses exchange the coherence of transaction cost and radical approaches for an ad-hoc range of factors to account for the existence of ILMs. The emphasis on skill specificity originated in the institutional analysis of Doeringer and Piore who also gave credence to the influential role of labour and the importance of custom and tradition in the operation of ILMs¹⁸. Although Creedy and Whitfield note this approach fails to establish the relative importance of the various factors, the significance of this limitation in historical analysis is not immediately apparent, given sophisticated methods of calculating labour costs within bureaucratic organisations are largely a twentieth century phenomenon¹⁹. Moreover, in a study of employer welfare provision in Edwardian Britain Melling concludes, "general efficiency and loyalty was seen as more important than the specific productivity of a workman"²⁰. Similarly between the wars Lord Nuffield, owner of the Austin Motor Company, attached greater importance to the loyalty of his senior managers than their technical or managerial ability²¹. Thus, those charged with managing Royal Bank lacked detailed means of assessing

¹⁶ E. Gordon, "Women's Spheres", in R. J. Morris and W. H. Fraser, (eds.), op. cit., pp. 221-223

¹⁷ N. Tamaki, op. cit., p.63

¹⁸ P. B. Doeringer and M. Piore, *Internal Labor Markets and Manpower Analysis*, (Lexington, Mass.: DC Heath, 1971)

¹⁹ *ibid.*

²⁰ J. Melling, "Industrial strife and business welfare philosophy: the case of the South Metropolitan Gas Company from the 1880s to the war", *Business History*, 21, (1979), p. 174

²¹ R. Church, "Deconstructing Nuffield: the evolution of managerial culture in the British motor industry", *Economic History Review*, XLIX, (1996), pp. 577-579

individual performance at a time when greater importance was typically attached to general attributes than specific results.

Furthermore, institutional approaches have the advantage of acknowledging the importance of economic factors while taking organisational culture seriously. We can crudely define organisational culture as "how they do things around here"²². Culture in this sense is unavoidable, omnipresent and of broader meaning than the 'social contract' proposed by Williamson. In Barnes's formal account of culture, the rules crucial to the operation of an ILM lack any inherent meaning and instead require interpretation²³. Consequently, organisations are the ongoing achievement of agents who sustain a shared sense of what rules and procedures "really mean". Custom and tradition are central to this, as a restrictive set of assumptions inherited from an earlier era to be sure, but also as a source of models, techniques, procedures and practices constantly applied, reapplied and subjected to modification. Therefore, rather than extricate an organisation from the constraints of tradition, this presents management the challenge of shaping and communicating an appropriate set of shared values²⁴. In other words, to manage the culture of an organisation in circumstances where interests need not always be compatible and meanings remain ambiguous and require elucidation.

In summary, while there is a general consensus of opinion regarding the existence and form of ILMs, there is no consensus as to why they are established or what purposes they serve. This review has identified circumstances where they are likely to occur and a range of factors that can account for their establishment. The latter in part derive from the nature of the tasks performed with skill specificity and monitoring being of particular importance. The conduct of employment

²² M. Lebas and J. Weigenstein, "Management Control: The Roles of Rules, Markets and Culture", *Journal of Management Studies* 23:3 May 1986, pp. 259-272

²³ B. Barnes, *The Elements of Social Theory*, (London: UCL Press, 1995)

²⁴ For a discussion of management and culture see T. J. Watson, *Management, organisation and employment strategy*, (London: Routledge and Kegan Paul, 1986), pp. 66-71

relations within a firm, and more broadly organisational culture, have also been identified as significant factors, while the assumption these are reflex responses to the pursuit of profit questioned on theoretical and empirical grounds.

4.3 A benevolent autocracy: employment before 1857

An investigation in 1837 revealed that the Royal Bank, which oversaw the largest share of Scotland's banking business in the first half of the nineteenth century, was a small, intimate organisation with approximately 60 staff²⁵. Unfortunately, until the 1870s information concerning salaries and tenure is fragmentary and incomplete. What is significant, however, is that in key respects the employment arrangements that can be identified comply with the definition of an ILM set out in the introduction. First, staff regularly pursued lengthy, formal careers involving promotion up hierarchies and along incremental pay scales; and second, staff received a range of paternalistic benefits in addition to their salaries. This section sketches out the processes involved in recruiting, training and rewarding staff, then argues that a combination of incremental and paternalistic incentives combined with rules governing behaviour inside and outside the office were used to elicit loyal and faithful service. Furthermore, it is argued this approach, characterised as an autocratic yet benevolent paternalism, with only minor modifications, persisted throughout the subsequent history of employment at the Bank.

Careers typically began with the recruitment of youths from an exclusive pool already connected to Royal Bank as the friends and family of customers, shareholders, staff and directors. These youths commenced work as apprentices, a formal arrangement introduced in the eighteenth century that usually lasted three years. At some point thereafter an entry exam was introduced, which applicants had to pass

²⁵ RB 709, Miscellaneous Notebook

to qualify as an apprentice (these are discussed in more detail in chapter 7). After completing an apprenticeship youths found to be satisfactory joined the permanent clerical staff of the Bank. The scramble for employment following the failure of the Western Bank in 1857 exposed the role of connections in recruitment. A Western Bank apprentice who applied to Royal Bank was identified as the son of a Commercial Bank customer at Crieff²⁶. That Bank's Crieff agent, however, did not have an opening for an apprentice, but supported, possibly even suggested, applying to the Western Bank. Equipped with this and a testimonial from a family friend who explained if he had known the Bank's directors personally he would have addressed them on the youth's behalf, the apprentice gained a position in the Western Bank. This use of connections was the norm, without them it was necessary for a senior official to make further inquiries. Once Laurence Robertson had found the applicant to be quiet and steady and was able to reassure the board as to his sobriety and industry, he was appointed to head office on a salary of £25.

The resultant exclusivity of recruitment served a variety of purposes. Prior connections were important because the character of the father was used as a guide to that of the son. Moreover, taking on an apprentice was frequently an act of patronage used to cement the relationship between banks and their customers. In light of this the following English example is of interest as it expressed a sentiment likely to have offended customers engaged in "trade":

"are any of your clerks the sons of shop-keepers?" demanded the Civil Service Inquiry Commissioners of the Secretary of the London and Westminster Bank, in 1875. 'I should say none', he judicially replied. 'We may have had one or two when we were not so rigid as we are now, but I should say that now, as a rule, we should not introduce the son of a shopkeeper'²⁷.

²⁶ "An application for a job", RB 403

²⁷ G. Best, *op. cit.*, pp. 273-275

Clearly social concerns influenced recruitment. But, as banking involved regular dealings with the public a self-conscious concern with status and social origins - in Scotland a note was taken of how each apprentice's father earned his living - ensured staff possessed those social attributes and manners deemed necessary by customers as well as senior officials. Here too the former Western Bank apprentice had scored highly. He was a good "figurer" and penman, had the benefits of a liberal education, including Latin and geometry, personally provided by his assiduous father, who was a teacher, and a carefully attended to course of religious instruction provided by his uncle, who was a minister. Finally, the exchange taken from the Civil Service Inquiry suggests standards were varied in probable accordance with demand and the ability of families belonging to preferred social strata to produce new recruits.

The use of prior connections in recruitment made Royal Bank an intimate place to work, one where the hierarchy of the family frequently underpinned that of the bank. Staff drawn from the same families provide the clearest examples of this. At head office Andrew Kerr worked beneath his father, then one of the bank's highest officials. Beside him was a clerk engaged after his brother-in-law had asked a director to find him a "stool in the Royal Bank"²⁸. At Glasgow in 1859 two brothers held the third and fifth highest positions in the office and oversaw the work of a long serving clerk and his apprentice son²⁹. This pattern reoccurred in the branches. At those opened before 1854, a Port Glasgow agent managed to secure his son an apprenticeship in the nearby Greenock branch before being asked to resign³⁰. Similarly in the new branches, at Bathgate in the 1860s and 1870s, for example, those of the Royal Bank and National Bank, were run by fathers assisted by their

²⁸ RB 399, letter dated 8th Jan. 1858, RBM 28th Sep. 1864

²⁹ See the list of staff at the main Glasgow office in RB 307

³⁰ RBM 21st Feb. 1855

sons³¹. Familial concerns influenced career decisions. At Dalkeith in 1855 the agent asked the board for his son, who he had employed as a clerk since 1845, to be made joint-agent or at least accountant. Initially the directors would only agree to the lesser appointment, but relented in 1857 and appointed the son joint-agent where he was well placed to become sole agent after his father died in 1859³².

The training Scottish apprentices received provided a wide-ranging introduction to bank work, as opposed to the narrower experience gained in English Banking³³. This was partly due to necessity; Scottish branches tended to be smaller with fewer staff than their English counterparts. But in both locations training remained ad-hoc. Promoted staff: senior clerks and tellers in the main offices; agents and accountants in the branches, held practical responsibility for ensuring that staff could perform their duties as part of their overall responsibility for ensuring that work was done. When this involved training then training was given; when it did not training was left to chance and the inclination of superiors. The eager might ask questions their superiors did not always deign to answer, for instance, one Edinburgh Union Bank agent regularly sent unoccupied apprentices out to watch the grass grow by a canal³⁴. Thus, it was often left to the initiative of staff to acquire more than a mechanical knowledge of banking. Although banking was viewed as a trade and as such something to be learnt by doing³⁵, textbooks began being published including J. W. Gilbert's *Practical treatise on banking* in 1828 and W. H.

³¹ RBM 4th Sep. 1861, National Bank of Scotland records, NS 228/13

³² RBM 19th Dec. 1855, 26th. Aug. 1857 & 13th. Jul. 1859

³³ I would like to thank Professor Charles W. Munn of the Chartered Institute of Bankers in Scotland for drawing my attention to the distinctive nature of Scottish bank apprenticeships

³⁴ Moneta, op. cit., p. 48; IOB letter bk. 5, letter dated 22nd Feb. 1911

³⁵ On training in banking see E. Green, *Debtors to their Profession*, (London: Methuen, 1979) and C. W. Munn (1981), op. cit., p. 167. For training in business more generally see S. Pollard (1965), p. 147

Logan's *The Scottish Banker* in 1845³⁶. Armed with these the studious with time on their hands could learn the broader principles of banking.

Due to source limitations it is impossible to state precisely how many staff were recruited or how long they stayed, but it is possible to note that a number enjoyed lengthy careers. Approximately forty-nine clerks, tellers and senior officials served at head office in September 1859, of which fourteen had worked there since the period 1806 - 1845³⁷. The distribution of their salaries matched the hierarchical structuring of labour and authority. Staff in the two main offices were placed along a descending scale in approximate accordance with their hierarchical position and length of service. During the first half of the nineteenth century salaries appear in general to have increased. The eleven tellers and clerks serving at Glasgow in 1801 received salaries ranging from £50 to £100 p.a. plus bonuses of £6 to £30³⁸. The ceiling on salaries gradually rose and by 1857 tellers were paid £180 to £300 and clerks £50 to £250³⁹. By this time a distinctive group of senior officials - the departmental heads identified in chapters 2 and 3 - had also emerged. At Glasgow in 1857 these included a sub-cashier, a clerk with authority to sign pro-cashier and an accountant who received £500, £450 and £400 p.a. respectively, while the secretary at head office received £900 p.a.⁴⁰. A substantial margin between the salaries of senior officials and the cashiers reflected the latter's importance in the strategic management of the Bank in addition to their administrative responsibilities. Thus, on moving from Glasgow to head office in 1857 Laurence Robertson's salary increased from £1,370 plus a rent allowance to £1,600, and by

³⁶ On nineteenth century developments in the study of banking see M. Collins (1988), pp. 85-86. As we shall see in chapter 5, however, Collins overestimates the initial impact of theoretical as opposed to practical approaches to banking.

³⁷ See list of staff working at head office in September 1859 detailed in RB 307

³⁸ Anon., "The Glasgow staff of the Royal Bank a century and a half ago", *The Three Banks Review*, no. 42, June, 1959

³⁹ RBM 25th Mar. 1857

⁴⁰ *ibid.*

1859 he was receiving £1,800 p.a. or sixty times the lowest head office clerical salary⁴¹.

In a study of employment at the Bank of Scotland head office Boot argues incremental salaries were introduced during this period in response to the short-run inelasticity in the supply of labour with appropriate skills during the Scottish joint-stock banking boom (and we can add to this the sustained proliferation of bank branches), which increased demand ahead of supply⁴². Although apprentices were probably the main source of staff, banks also poached experienced staff from rivals during this period, indicating skill specificity did not play a significant part in careers during the first half of the nineteenth century. High demand for new recruits and poaching contributed to a clerical labour market where, as Mill noted in 1848:

"Until lately, all employments which required even the humble education of reading and writing, could be recruited only from a select class, the majority having had no opportunity of acquiring these attainments. All such improvements, accordingly, were immensely overpaid"⁴³.

Yet before the permanent establishment of the General Managers' Committee intense competition reduced profits, constraining the ability of banks to pay higher salaries. Boot argues incremental salaries were introduced to surmount this problem; they minimised immediate staffing costs, while the prospective rewards on offer improved staff retention, reducing recruitment, turnover and training costs. In addition, the prospect of regular salary increases served as an effort incentive. This analysis is convincing in many respects and appears broadly applicable to Royal Bank. However, it pays insufficient attention to the consequences of promotion. Boot, acknowledges, but does not take sufficiently into account the range of positions the single title clerk referred to and through which staff moved during their

⁴¹ RBM 25th Feb. 1857, RB 307

⁴² H. M. Boot, "Salaries and career earnings in the Bank of Scotland, 1730-1880", *Economic History Review*, XLIV, (1991), pp. 629-653

⁴³ quoted in H. M. Boot, op. cit., p. 648

careers. Consequently, it is unclear whether incremental salaries were paid to staff who remained where they were, were promoted to more responsible and highly rewarded positions in the developing bank hierarchies, or, and this is the most likely scenario, were a consequence of both these factors.

Unfortunately the Royal Bank records offer little assistance in this respect, but it is apparent employment was predicated upon the assumption that staff would be promoted. This is despite promotion fulfilling the two not necessarily compatible functions of providing an effort incentive and allocating skilled labour possessing relevant skills to key positions. For example, in a London private bank promotion was not always deemed desirable as:

"a clerk might be taken from work for which he is particularly fitted and moved to that which would be unsuitable, a step which would tend to disorganise our system"⁴⁴.

Instead clerks remained where they were receiving gradually increasing salaries as they acquired more expertise. However, this arrangement also preserved promoted posts for owners and their families, whereas the managerial capitalism practiced at Royal Bank left greater scope for promotion, indicating this was a distinctive feature of joint-stock as opposed to other forms of banking. Arrangements introduced at head office in 1843 used a combination of salary scales and promotion to motivate staff. Ranges of salaries were attached to distinct clerical grades and once a ceiling was reached further increases required promotion to a higher grade. To operate effectively this system required regular vacancies or else "there might be very long service with out much promotion"⁴⁵. To ensure staff unlikely to be promoted due to old age, limited ability or lack of opportunity could still look forward to an eventual salary increase, a £50 p.a. long-service allowance

⁴⁴ RBM 21st Jul. 1874

⁴⁵ For a detailed account of the arrangements reached in 1843 see RBM 30th Dec. 1885

was introduced alongside this scheme for all staff who had served thirty years at either head office or Glasgow⁴⁶.

The long service allowance was part of an intimate, paternalistic order wherein the personal circumstances of staff were allowed to influence the terms of employment. On their part staff made sure that senior officials were kept aware of their personal circumstances. For instance, of two clerks a Glasgow Cashier wrote "Peterkin and Scott make me despair. They are always complaining on the smallness of their salary which should be ample for their wants"⁴⁷. Small salaries could produce a poorly motivated staff. Of the same two clerks it was noted "neither will submit to afternoon attendance {i.e., after 4 o'clock} nor the drudgery of sorting their notes, which they leave to the Porters"⁴⁸. Such intransigence and its toleration were luxuries afforded by a favourable labour market position as well as the vested interests recruitment created.

A broad range of benefits paid in addition to salaries gave fuller expression to the paternalism of the Bank. These included sick pay, bonuses, paid holidays, free accommodation in bank buildings and overtime allowances. Perhaps the most important benefit was the non-contributory retiring allowance (or pension). Staff did not retire as there was no distinct notion of retirement, instead they were frequently moved to lighter duties as they aged, before eventually resigning on the grounds of old age or ill-health. After this they received an allowance set according to their length of service, age and final salary, though the actual amount remained open to negotiation⁴⁹. The paternalism of the Bank extended to include the families of staff and the board intermittently received applications for assistance from the relatives of staff, for example, the deserted and destitute wife of a

⁴⁶ RBM 31st May 1843

⁴⁷ *ibid.*

⁴⁸ *ibid.*

⁴⁹ See for example the teller who negotiated an enhanced retiring allowance detailed in RBM 29th Mar. 1854

former Glasgow teller who applied for help and received a £100 grant⁵⁰. However, once a contributory staff widows' fund was established in 1820, the board felt able to reject the widow of a former clerk who subsequently applied for aid⁵¹. The preference it seems was to provide staff with the means of taking care of their families while the Bank would take care of them, although occasionally granting assistance to suitable victims of circumstances beyond their control.

Paternalism is a method of control, paternalistic understanding of a kind that allowed a teller to receive an extra £10 "because of his large family and great usefulness"⁵², was tempered by the board's formal retention of absolute discretion in staffing matters. Benefits were only ever presented as rewards not rights, each was granted on the condition it would be stopped or reduced if recipients behaved in a manner deemed prejudicial to the interests of the Bank. The most notable example of this involved the former Cashier John Thomson who was asked to resign aged 62 in 1845⁵³. Thereafter Thomson received a £600 p.a. allowance on condition he did not take any other employment, an agreement that

"shall not be held as limiting in any way the power of the Court of Directors to withdraw the said allowance in whole or in part at leisure, without assigning reasons for so doing"⁵⁴.

Thomson's experience, expertise and connections quickly attracted offers of employment including managerial positions in a proposed Glasgow based Exchange and Investment Bank, a bank to be formed issuing Bank of England notes, an insurance company's Glasgow office and a short-term position winding up a bankrupt Newcastle business⁵⁵. Each time Thomson applied for permission to accept a position and

⁵⁰ RBM 7th May 1862

⁵¹ RBM 21st Mar. 1865

⁵² Quoted in Anon., (1959)

⁵³ For an account of John Thomson's resignation that emphasises the importance of the former Cashier's personality, see S. G. Checkland, *op. cit.*, p. 393. However, events discussed later in this chapter indicate Thomson was perhaps a better banker than he was manager or administrator

⁵⁴ RBM 10th Dec. 1845

retain his allowance he was refused. An increasingly bitter Thomson complained "I was the medium through which you are now in possession of a very large fortune", before accepting the manager-ship of the ill-fated Edinburgh and Glasgow Bank in 1850 at which the board promptly stopped his allowance⁵⁶. Thus, the retention of discretion allowed paternalistic rewards to be used to elicit appropriate behaviour inside and outside the workplace with loyalty as well as productivity a key managerial concern.

Loyalty was particularly important because the assets and reputation of a bank were susceptible to theft, fraud and embezzlement, recurring events during the first half of the nineteenth century. In 1822, for example, the East Lothian Banking Co. collapsed after its cashier ran off with the contents of the safe⁵⁷. Royal Bank intermittently shared in this misfortune, particularly when the responsibility for issuing and recording withdrawals was, as one inspector wrote:

"placed in the hands of the same individual, who, if unprincipled, had an important facility given him for dilapidating the Bank's assets"⁵⁸.

This occurred at Glasgow in 1845 when the Assistant Accountant was discovered to have stolen an estimated £7,900 over a 20 year period by making withdrawals from an account he operated in his other capacity as collector of subscriptions for an Episcopal Church fund⁵⁹. When the relevant voucher passed before him he replaced it with a cheque drawn on another account for the same amount to disguise the transaction. A more modest example occurred the following year when a Glasgow teller was found to have taken £120 and unsuccessfully tried to disguise his actions by bulking out a bag of silver with copper coin⁶⁰.

⁵⁵ RBM 20th Jan. & 14th Apr. 1847 and 29th Jun. 1848

⁵⁶ RBM 15th Aug. 1849 and 23rd Jan. 1850

⁵⁷ C. W. Munn (1981), pp. 73-75

⁵⁸ RBM 19th Nov. 1845

⁵⁹ RBM 12th and 19th Nov. 1845

⁶⁰ RBM 9th and 16th Sep. 1846

In a comparable study of Australian banking Seltzer asserts that developments in inspection and accounting procedures made security a factor of minimal importance in the development of bank ILMs⁶¹. Human nature and actual events belie this assertion. One inspector observed:

"to audit even one single class of accounts so as to produce a moral conviction of accuracy is necessarily the work of considerable time"⁶².

Monitoring was constrained by cost and inspection remained a time consuming and expensive business. Thus, one of the tasks of management was to strike a balance between cost and security. This was not always achieved, nor was the Bank made progressively more secure. As the (former) Assistant Accountant explained, his scheme commenced after John Thomson altered arrangements at Glasgow "with the view of saving the salary of a clerk", but rendered the accounts less secure than they were made in 1816 following the discovery of an earlier deficiency⁶³. Eager to excuse himself Laurence Robertson, then Glasgow Cashier, reached a similar conclusion:

"a change took place in the system of checking the books soon after Mr. Thomson came to Glasgow which has led mainly to the disaster that has happened"⁶⁴.

Following events at Glasgow the accounting and inspection procedures were overhauled: additional ledgers were introduced; the handling and recording of cash transactions was separated; and more intensive random inspections were carried out. But, while theft became harder to accomplish and easier to detect it remained possible as a Dundee agent proved in 1878 when he disappeared with £20,500⁶⁵. Despite the substantial sum involved, after careful consideration of the inspection

⁶¹ A. Seltzer, *op. cit.*

⁶² RBM 19th Nov. 1845

⁶³ RBM 19th Nov. 1845 and 4th Feb. 1846

⁶⁴ RBM 19th Nov. 1845

⁶⁵ RBM 26th Jun. and 11th Sep. 1878

system, the Cashier concluded, "I have no change to suggest in this respect"⁶⁶.

Another problem was poor record keeping, or in a more extreme form the deliberate sabotage of records by clerks who used their experience to avoid detection. There is no recorded incidence of this at Royal bank, but other banks were less fortunate. Between the wars the Glasgow Savings Bank suffered a lengthy campaign involving the disappearance of ledgers and false entries⁶⁷. After a ledger was found in the men's lavatory the Actuary (general manager) was sure no lady clerks were involved, but this still left eight suspects until the qualified report of a handwriting expert finally saw the culprit dismissed.

As detailed monitoring was labour intensive, costly, yet ultimately imperfect, theft, inaccuracy and sabotage remained recurring concerns. In these circumstances, security considerations both drove the development of inspection and accounting procedures, and underpinned bank paternalism. The discretionary use of deferred compensation: incremental salaries; the possibility of promotion; and a range of additional benefits that increased in value with length of service, discouraged criminal behaviour by increasing the cost of dismissal. Staff who pursued a Royal Bank career effectively posted a bond, which they expected to be repaid in the future and would forfeit if found guilty of any serious misdemeanour⁶⁸.

Paternalistic incentives worked in conjunction with rules governing behaviour outside the office geared to preventing any activity likely to increase the temptation to steal. On learning a teller was speculating on sending goods to the West Indies the directors instructed him to choose between that and his position in the Bank⁶⁹. The teller protested that he only engaged in this other interest outside

⁶⁶ *ibid.*

⁶⁷ TSB 63/1/15/34 Desk Diary, entries dated 7th Feb. & 4th Dec. 1936 and 2nd Jan. 1937

⁶⁸ M. Moschandreas, *op. cit.*, pp. 461-462

office hours and it did not affect him in the performance of his bank duties. Eventually he relinquished the venture to concentrate on his bank career. Later, when investigating the Assistant accountant's activities at Glasgow in 1846 the Cashier discovered he had lent money to other members of staff and observed this "must to a certain extent have had the effect of placing them much under his control, and of inducing them to overlook many things"⁷⁰. Thereafter, staff were barred from lending to one another and informed that "they are bound by their agreement to give the whole of their time exclusively to the business of the bank"⁷¹. As these preventative measures stripped away any other interest, the other benefits staff received offered some compensation for the income foregone.

However, rules governing behaviour also reflected social expectations, though the exclusive nature of recruitment was probably more important in this respect. Banks were an important part of Scotland's business communities and bank staff as participants in this world were subject to its social conventions. Consequently, deviations from the acceptable took place under the watchful gaze of customers as well as senior officials. Thus the profitable sidelines staff occasionally pursued could offend the sensibilities as well as the finances of customers engaged in the same line of business⁷². Accordingly in October 1846 a customer, a Sir, informed the Cashier "I do not know if you, or your directors are aware of the fact"⁷³. The directors were not aware and after being informed by the "Sir" that two clerks and a porter at Glasgow had each paid 50s. to purchase railway shares issued the following circular:

"that they highly disapprove of such transactions where the risk of loss may eventually bring the individuals concerned into serious difficulties, and

⁶⁹ Anon., (1959)

⁷⁰ RBM 25th Mar. 1846

⁷¹ RBM 25th Mar. 1846

⁷² W.F. Crick and J. E. Wadsworth, *op. cit.*, p.73

⁷³ RBM 21st. Oct. 1846

be the means of incapacitating them for performing their respective duties"⁷⁴.

The importance of security in this instance later became apparent when British Linen Bank staff were found to have stolen £31,000 to speculate in railway shares⁷⁵. However, the aggrieved "Sir" had taken particular offence at the clerks and the porter signing themselves esquires on the relevant documents. The renewal of this ruling in 1873 and its extension in 1877 to include any involvement with investment trusts ensured such impudence was not repeated⁷⁶.

Yet rules remained open to interpretation. Even the unambiguous rules governing the handling of cash were periodically contested. The Glasgow teller described above accepted his actions were wrong, but did not consider himself disloyal. In a (successful) plea for reinstatement he compared his momentary transgression to a career throughout which he had "endeavoured to perform his duty and promote the interest of the Bank to the best of his ability", insisting "nothing could have been further from my mind than an intention to wrong the Bank"⁷⁷. The teller's pleas reveal that the Bank itself formed an important presence in its organisational culture, one possessed of a separate identity and traditions it was possible to identify with and vicariously share in. In this instance the teller's willingness to formulate alternative interpretations of what was in the Bank's interests threatened the mutual understanding necessary for the effective functioning of hierarchical authority. Faithful service instead meant accepting those meanings defined by the Cashier and the board who were located somewhere between staff and the Bank, and which remained the ultimate source of authority. Indeed, the charismatic senior official who possessed the unquestioned loyalty of his subordinates was a potentially dangerous transgression. Hence, when

⁷⁴ *ibid.*

⁷⁵ S. G. Checkland, *op. cit.*, p. 394

⁷⁶ RBM 3rd. Dec. 1873 and 19th Dec. 1877

⁷⁷ RBM 16th Sep. 1846

describing the activities of the fraudulent assistant accountant at Glasgow the Cashier noted disapprovingly: "being a rather smart man, altho' he writes an exceedingly bad hand, he was looked up to by the Tellers"⁷⁸. Instead of "smart men", paternalism encouraged staff to subordinate their judgement to that of the Bank, which in exchange would take care of them from the time they entered its service until death. Used with discretion paternalism generated a common sense compatible with the exercise of hierarchical authority.

To summarise; Royal Bank staff were typically recruited as apprentices through pre-existing social and commercial channels and selected according to ability and social compatibility. The training apprentices received, although broad was often ad hoc and almost wholly dependent on gaining practical experience. Once accepted as permanent staff recruits embarked on careers that frequently lasted their entire working life. Central to this process was the payment of incremental salaries. These were a product of the desire to retain and reward staff whose skills proved highly transferable in a market where demand exceeded supply at the same time as unrestricted competition reduced the ability of banks to make widespread additions to salaries. The prospective reward of incremental salaries, promotion and paternalistic incentives were coupled with rules prohibiting participation in unacceptable social and economic activities. The latter, for reasons of propriety, security and good business, was used to elicit loyalty in circumstances where the costs of opportunistic behaviour were high, but monitoring expensive and imperfect. On the whole the approach was successful. Theft was not only rare, senior officials operated with an often misplaced confidence that the Bank possessed the unquestioned loyalty of staff. What shocked the Cashier when he investigated the fraudulent Assistant Accountant's activities was that the changes made to the accounts had gone unreported for so long:

⁷⁸ *ibid.*

"altho' the Officers situated nearest to (the Assistant Accountant) in the office seem rather ignorant men, I am totally at a loss to understand why these erasures did not attract their notice"⁷⁹.

The head office view of disloyalty was that it was not so much inconceivable as incomprehensible.

4.4 Core and periphery, 1857 - 1871

In broad terms rapid organisational change - the adoption of branch banking - transformed employment at Royal Bank. Hundreds of staff scattered across Scotland joined the few dozen working in the two main offices. This posed unprecedented problems of control over scale and distance met in two ways. At the Bank's largest offices in Edinburgh and Glasgow, authority was exercised in accordance with the principles, structures and expectations of the previous era. However, the extension of the Bank's benevolent autocracy stopped at the city boundaries. In the branches, subject to head office approval, authority over staffing was delegated to agents who held practical responsibility for recruitment, training, work allocation and setting salary levels. Thus, in its staffing arrangements as in its business Royal Bank constituted a bureaucratic core that supervised activities in a dispersed periphery. Yet identical changes simultaneously occurred in both locations. External recruitment to promoted posts ended and a distinctive tenure pattern emerged; a minority of recruits stayed to enjoy long careers while a majority left on, or shortly after, completing an apprenticeship. These changes saw employment acquire all the characteristics of an ILM set out in the introduction to this chapter and were ultimately decided on the basis of cost. However, staff, particularly at the two largest offices, were an important influence on the distribution of pay and promotion and therefore a significant factor in the development and operation of the ILM.

⁷⁹ RBM 19th Nov. 1845

i) Core employment

One of Laurence Robertson's first acts on becoming Cashier in 1857 was to recommend a general increase in salaries at head office; his priorities require some explanation⁸⁰. The gracious letter the board received in 1853 from a Glasgow teller requesting permission to resign (retire) suggests an executive able to impose its will on a supine staff⁸¹. Yet once the impending retirement became known the board was placed under the scrutinising gaze of staff attentive to the age and health of their superiors and of their own claims to promotion⁸². As the matter was considered further clerks began applying for the post. On such occasions the clerical will was expressed in discontented mutters that occasionally surfaced as joint petitions to the board wherein staff expressed their preference for seniority (length of service) as the deciding factor in staffing decisions; when one man left the next in line expected to replace him. This shared attachment to seniority overcame self-interest by ensuring that all would eventually be rewarded. The intimacy of the office made seniority an important influence on all staffing matters. Moreover, it was in keeping with the premium the directors' attached to loyal and faithful service as well as their wish to be perceived as fair. As for the teller, the directors avoided reaching a decision until winter when the old man's failing eyesight finally forced a decision. Working by gaslight the teller became prone to making expensive mistakes. After he misplaced £100 the board finally allowed him to resign, moving each teller up a grade and promoting the most senior clerk to the vacant space at the telling table.

Thus, staffing decisions were reached through a dialogue conducted by the board and the Cashier with the perceived will of the staff. Despite having served as Glasgow Cashier from 1827 to 1857, Robertson was an outsider to head office whose appointment

⁸⁰ RBM 25th Feb. 1857

⁸¹ RBM 25th May 1853

prevented staff taking the step up the hierarchy they would otherwise have expected. The salary increases he authorised, beginning with a 200 guinea bonus for the Secretary as a mark of the directors "entire confidence and satisfaction in his acting as Cashier" followed by a general round of increases, appear as conciliatory gestures intended to smooth the way for the subsequent reorganisation of the head office administration⁸³.

The task of adapting the Bank to branch banking revealed both the influence and limitations of seniority. John Bishop was charged with devising new procedures to enable the centralised control of the branch network. He was a notable choice for this important task because his original recruitment from the Western Bank had divided the Bank.

While contemplating this the Secretary had observed:

"how can it be done without injustice to some who have been long in the Bank's service and deserve well? Of course we cannot supersede our present Inspector nor if Mr. B were conjoined with him can we give him less than Mr. B ... to say nothing of the umbrage which would be sure to arise in the breasts of old officers"⁸⁴.

Supporting Bishop were Primrose Kennedy and another Ayrshire agent who, it was made clear only remained in banking out of loyalty to Kennedy. One proposal was to appoint Bishop a Glasgow agent from where he could cultivate links with other Western Bank agents:

"as the need for his experience and peculiar qualifications would then be special (underlined in original) we could so employ him without incurring any imputation of injustice "⁸⁵.

Instead Bishop was appointed to head office to a subordinate post, which Laurence Robertson eventually freed him from by charging him with drawing up plans for adapting the administration to branch banking. Once freed from constraints imposed by the attachment to

⁸² Events surrounding the retirement and replacement of the teller are detailed in RBM 25th May, 7th Sep., 19th & 26th Oct., 9th Nov. 1853

⁸³ RBM 25th Feb. 1857

⁸⁴ RBM 14th Nov. 1855

⁸⁵ *ibid.*

seniority Bishop became the architect of the new administration. In a report submitted to the board he recommended establishing progressive ledgers to record lending at each branch, holding discounted local bills of exchange at head office until due and producing weekly branch returns in addition to the existing monthly and annual returns to allow a weekly statement to be presented to the board⁸⁶. The zealous policing by staff of the Bank's hierarchy had limits then, but certainly discouraged the use of external recruitment to promoted posts. Ultimately, however, cost and the need for expertise, which existing staff lacked proved the deciding factor.

To implement the changes Bishop set out D. R. W. Huie was recruited from an insurance company and, to avoid offending the sensibilities of the staff, appointed Assistant Accountant; a completely new post specifically designed to exclude any internal candidates⁸⁷. Thereafter, experience came at a cost the Bank was unwilling to meet. In 1859 the board debated appointing a new inspector. Whereas the external candidate expected a salary of £275 to £300, the internal candidate would only receive a small addition to his existing £130 salary⁸⁸. Although the external candidate's suitability was undoubted, the internal candidate was appointed with the expectation that he would "turn out as well as any clerk of equal standing that can be got from any other bank"⁸⁹. This had the further advantage of confining senior positions to those whose loyalty had already been assessed at close quarters. Once a cluster of strategic appointments was made and the capacity to train junior staff for promoted posts acquired, the board permanently opted to confine the senior ranks to internal appointees.

Seniority had a settling influence, yet prevented the allocation of salary increments and promotions being used selectively as an effort incentive. The resultant tension between managerial discretion and

⁸⁶ RB 357, Report on Inspection, 16th Dec. 1857

⁸⁷ RBM 9th Jan. 1858

⁸⁸ RBM 4th Jan. 1859

seniority persisted throughout Laurence Robertson's term as Cashier. Head office staff lists compiled in 1857 and 1864 reveal salaries matched length of service almost perfectly⁹⁰. Consequently, seniority rendered careers a matter of waiting to fill "dead men's shoes". For example, in 1854 when a clerk in the Accountant's department at Glasgow died Laurence Robertson explained "The next in order is Mr. X who will expect to succeed Mr. Y"; Mr. X received the promotion⁹¹. Ten years later when contemplating another promotion the Glasgow Cashier explained "according to *former precedent* {emphasis added} the other four tellers should rise up in seniority"⁹². A new teller was accordingly found among the clerks; "the next in seniority, moving the other clerks up in rotation". Thus, seniority held the status of a tradition that informed promotion decisions at all but the very highest levels.

New arrangements introduced in 1867 proposed to structure entire careers in a way that offered a compromise between seniority and discretion in the allocation of pay and promotions⁹³. The 37 clerks then working at head office were placed in four classes arranged in ascending order. Clerks would progress along the salary scales devised for each class on the basis of seniority, but on reaching the maximum salary, further increases required promotion to a higher class on the basis of merit. In theory, with £10 increments being paid almost every two years, it would take a clerk approximately twenty years to advance from the £80 maximum salary paid in the fourth class, to the £200 salary paid in the first. However, the scheme quickly fell into disarray when as James Fleming subsequently explained:

⁸⁹ *ibid.*

⁹⁰ For details of clerical salaries at head office see RBM 17th Sept. 1858, 14th Sep. 1859, 15th Feb. 1861, 17th Sep. 1862, 27th Sep. 1864, 2nd Jan. 1867 and 17th Sep. 1873

⁹¹ RBM 29th Mar. 1854

⁹² RBM 22nd Jun. 1864

⁹³ RBM 2nd Jan. 1867

"it was found at the very first revision in 1869 that from the growth of the establishment and other circumstances the scheme of 1867 was not sufficiently expansive to meet the necessities of the office"⁹⁴.

The problem was straightforward; although promotion was key, promotion opportunities were limited. Indeed, the 1867 arrangements put in place a bottleneck by firmly attaching salaries to hierarchical positions. With thirty-two clerks in the second, third and fourth classes, but only seven in the senior and first classes, there were already more candidates than openings at the higher levels. The bottleneck was exacerbated by a blockage due largely to the good health and compromises enjoyed by senior officials. For instance, D.R.W. Huie was a young man when appointed and went on to enjoy a lengthy and successful career (he eventually resigned as Cashier aged 76 in 1907)⁹⁵. In 1874 Huie clashed with John Bishop over who would succeed the retiring Secretary of the Bank. When Bishop became Secretary, Huie informed the board he was considering other offers of employment⁹⁶. As a compromise Huie was appointed Joint-Secretary and Accountant (taking Bishop's recently acquired place at board meetings) and Bishop became Joint-Secretary and Superintendent of Branches where he remained until resigning due to old age in 1886⁹⁷. Thus, two incumbents held three senior positions for over a decade, preventing those beneath them taking one more step up the hierarchy. Andrew Kerr, then a head office clerk described the consequences this had upon the staff:

"The root of all the nerveless languor, hopeless discontent, and spasmodic dissatisfaction so often displayed by bank clerks is to be found in the absence of promotion"⁹⁸.

Once again the Cashier fell back on granting widespread salary increases allowing seniority to continue earning a reward.

⁹⁴ Quoted in RBM 17th Sep. 1873

⁹⁵ For details of D. R. W. Huie's career see Moneta, *op. cit.*, pp. 14-19, RBM 9th Jan. 1907

⁹⁶ RBM 22 Jul. and 13th Nov. 1874

⁹⁷ RBM 13th Nov. 1874 and 2nd Jul. 1886

Table 4.1. *Entry period of clerks working at the head office of the Royal Bank of Scotland in 1857, 1859 and 1867*

<i>Period entered head office</i>	<i>1857</i>	<i>1859</i>	<i>1867</i>
Before 1850	8	8	6
1850 - 1857	15	10	5
After 1857	0	21	28
Total	23	37	39

Source: RBM 16th Sep. 1857 & 2nd Jan. 1867 and RB 307

The combination of seniority and limited promotion opportunities had other longer-term consequences. Table 4.1 above is based on three lists of head office clerks given in the minute books, which detail when staff entered head office (an approximate guide to their age and length of service). As few staff moved from head office to the branches it can be assumed that those who stopped being listed had left the Bank. Table 4.1 therefore indicates that a gradually shrinking minority of long serving clerks remained at head office, while younger clerks confronted by limited career opportunities and salaries and promotions distributed largely in accordance with seniority, increasingly opted to leave rather than wait their turn.

This turnover pattern had significant cost benefits. Because salaries tended to increase with length of service, less experienced and therefore (initially) cheaper clerks replaced those who left (in addition those who left were no longer eligible to receive the other benefits of bank work). Therefore, rewarding seniority, while a constraint on managerial authority, preserved a core of senior clerks and officials able to train the growing volume of young clerks passing through head office, a trend, which due to the payment of incremental salaries, served to minimise staffing costs. We can note that at Bank of Scotland during this period Boot has shown that a similar pattern developed and that

⁹⁸ A. Kerr, "Bank Officers", in A. Kerr, (ed.), *op. cit.*, p. 136

senior officials helped staff unlikely to be promoted find employment elsewhere⁹⁹. It is probable that similar steps were taken at Royal Bank to avoid clerks remaining where they were to become increasingly frustrated, while receiving gradually increasing salaries.

ii) Employment in the periphery

Before 1857 head office lacked the administrative capacity to manage staffing in the branches. Inspection arrangements were rudimentary and until John Bishop was appointed no senior official was experienced in managing a branch network. This was initially compounded by a lack of clear leadership due to the then Cashier Robert Simpson suffering bouts of ill health during his last years in office. Yet even after the adaptation of head office to branch banking agents retained a high degree of discretion over staffing matters. This was due to the complexity, scale and cost of the alternative, as well as the internal politics of the Bank.

To begin with information on staffing in the branches was fragmented and incomplete. To rectify this Bishop compiled an establishment book that listed the salaries, positions and, in the majority of cases, names of all those working in the branches in 1857 and 1858. The exercise revealed that a probable 170 staff, approximately three quarters of the total, worked in the branches¹⁰⁰. Not all of these were bank staff. At Galashiels, for example, a lawyer-agent used an apprentice in his writing office as a branch clerk¹⁰¹. Others simply moved the clerks and apprentices engaged in their other interests onto the Bank's staff, as at Aberdeen where the advocates appointed agents arranged for their confidential clerk to become the branch

⁹⁹ H. M. Boot, *op. cit.*

¹⁰⁰ Estimate derived from analysis of RB 307

¹⁰¹ RB 325, Letters to John Bishop, 25th Feb. 1858

Table 4.2. *The structure of agents and accountants salaries at the Royal Bank of Scotland c.1858 to 1870 (£s at current prices)*

Year	Agents		Accountants	
	1858-59	1869-70	1858-59	1869-70
Range of salaries	£50-500	£50-£600	£20-150	£10-250
No. of salary levels	17	26	17	19
Mean salary	£227	£274	£76	£85
Median salary	£200	£250	£75	£80
No. of examples	64	80	33	66

Source: RB 307 & RB 309

accountant¹⁰². This movement worked both ways. Alexander Wright later recalled that he spent much of his time in Perth as a bank apprentice working on his agent's legal affairs. This movement complicated an already complex division of labour. For example, arrangements at those branches acquired from the Western Bank and the Dundee Banking Co. were left untouched, so that in keeping with its status as the former Ayrshire Banking Co. head office the Ayr branch was one of only four in the network to have a dedicated teller and the only branch with a porter. By comparison at four other branches the agents had no staff. Between these poles various combinations of agents, accountants, clerks and apprentices moved between the different areas of bank work on an hourly basis, blurring the division of labour.

Nevertheless, table 4.2 above reveals that the hierarchical distribution of authority was broadly reflected in the distribution of salaries. Although the range of salaries, which agents and accountants received overlapped, this never occurred within the same branch, while the average (median) salary paid to accountants in 1858-59 was only 38 per cent of the (median) average salary agents received. The compilation of the establishment book also revealed salaries were the main cost involved in running a branch; the examples given in table 4.3

Table 4.3. *the cost of running two branches in 1856 and 1857 (£: s at current prices)*

<i>Item of expenditure</i>	<i>(1856) Alyth</i>	<i>(1857) Galashiels</i>
Salaries	300:00	175
Rent	-	25
Fuel, light & cleaning	22:15	7
Local taxes	4:11	3
Postage & carriage	13:03	22
Stationary	7:14	-
Miscellaneous	78:12	-
Total	£426:15	£207

Source: RB 325, correspondence of John Bishop

above suggest as much as 70 to 80 per cent of the total, making them a key managerial concern. Of this total agents were by far the single largest item of expenditure. At Campsie, for example, the agent was paid £200 p.a. and the accountant £40 p.a., leaving £60 to cover all other expenses¹⁰³.

Different approaches were taken to setting the salaries of agents, accountants and clerks. An agent's salary was set on the basis of three factors. The most important was the volume of business an agent attached to the Bank, followed by the degree of competition between banks for his services. At Forfar, for instance, the agent was awarded a £50 increase because he was:

"a good agent and has brought a good business to the Bank. The Bank of Scotland tried hard to secure him and offered him 1% additional on his (£8,000) deposits"¹⁰⁴.

Similarly, the salary of the former agent for the Western Bank in Kilmarnock did not change after he became a Royal Bank agent in the smaller town of Stewarton because "The Clydesdale Bank have been

¹⁰² RBM 28th Mar. 1862

¹⁰³ RB 325 John Bishop's (the inspector of branches) correspondence

¹⁰⁴ RB 394, Inspector's report, March 1858

endeavouring of late to induce him to return to Kilmarnock"¹⁰⁵. In this instance the agent benefited from the strategic desire to preserve the interests of the existing Kilmarnock branch by spoiling the progress of a rival. Finally, agents were often expected to meet routine running costs from their salaries, which were adjusted accordingly. For instance, the Leven agent's £300 salary included an allowance for rent and the salaries of any clerks he chose to employ¹⁰⁶.

By comparison the salaries of junior branch staff were regarded as a necessary evil somewhat akin to taxes and were set by agents in negotiation with the Cashier. Typically, an agent suggested what his staff should receive after taking into account age, effort, ability and local living costs. However, it was in an agent's interest to keep junior salaries to a minimum. High salaries increased the branch costs used to assess the performance of agents, while low salaries left a degree of "slack" from which additions could be made to an agent's own salary. Where there was no slack, for example at Biggar where a former member of staff was granted a £150 pension, the agent's salary was "left lower than it should have been"¹⁰⁷.

The treatment of junior staff also differed in that they were regarded as expendable and readily replaceable. In 1858, for instance, the Campsie accountant resigned after his application for a £10 salary increase was rejected¹⁰⁸. This was not always the case. Before 1850 and again during the rush to establish branches after 1854 high salaries were used to attract staff from other banks, especially to work in branches run by agents with only limited bank experience. Thus, to find an accountant to run the branch opened by part-time agents at Dumfries branch in 1856 a teller was poached from a Bank of Scotland branch and appointed accountant on £140, the second highest salary paid to an

¹⁰⁵ *ibid.*

¹⁰⁶ Entry for Leven in RB 307

¹⁰⁷ RB 394, Inspection Report, Mar. 1858

¹⁰⁸ RB 394, Inspection Report, Mar. 1858

accountant in the 1850s¹⁰⁹. However, the subsequent failure of the Western Bank created a glut of experienced staff, which was taken advantage of at Lockerbie where a former Western bank agent on £100 p.a. replaced the accountant on £160 p.a.¹¹⁰. More importantly the failure gave Royal Bank the capacity to meet staffing needs internally. Building a branch network using former Western Bank branches and agents equipped Royal Bank with a national network of experienced staff able to recruit and train apprentices, allowing the cost of external recruitment to be avoided.

Salary ceilings encouraged junior branch staff to seek employment elsewhere. Charles Boase reflected on this before he retired:

"I suppose the great number of new banks in England will draw away our best clerks from Scotland ... a very promising clerk with us has just got an invitation to go to London with offer of £100 at once and suitable increase when they see what he is worth"¹¹¹.

However, regret rarely translated into higher salaries. Instead the branches also gained a stable core of senior officials who oversaw an increasingly transitory mass of junior staff. That the salaries of junior staff should be restricted was accepted in principle as early as 1852 when to the disappointment of his Agent, the Leith teller left to seek his fortune in New York¹¹². The board promptly investigated bank salaries in Leith, but decided that only the agent deserved an increase¹¹³.

Limited promotion opportunities and the lack of clear career structures exacerbated the situation. It was possible to become the accountant of a branch on or shortly after completing an apprenticeship. Indeed, of the 72 apprentices recruited during 1860 to 1870 (these records were started in 1873 and therefore do not include staff who left the bank before this date, behaviour likely to have been

¹⁰⁹ RBM 23rd Apr. 1856

¹¹⁰ RB 401, Inspection Report, 16th Jun. 1858

¹¹¹ RBM 22nd Jun. 1864

¹¹² RBM, 16th Jun. 1847 and 17th Nov. 1852

influenced by promotion), after five years 31 were accountants and only eleven were still clerks after eight years. Thereafter careers came to an abrupt halt. Full time staff did become agents. Some benefited from local connections as in 1856 when a Bank of Scotland head office clerk became a Royal Bank agent at Alyth where his family originated and still resided¹¹⁴. Others benefited from exceptional circumstances, for instance, when the Duke of Buccleuch asked for a branch to be opened at Granton to support his redevelopment of the harbour, the board, unable to find a suitable local agent, refused until the Duke intimated another bank might prove more amenable¹¹⁵. At this a branch was quickly opened and a Dalkeith branch accountant brought in as agent. However, these were the exceptions and Tamaki's suggestion that amateur (part-time) agents were eclipsed during the period 1865 to 1879 appears too hasty a conclusion in light of the discussion of this issue in chapter 2¹¹⁶. Rather a tacit line continued to separate full-time staff from branch management positions during this period. Confronted by this junior staff began leaving the Bank in increasing numbers.

Approximately half the full-time staff named in the 1858 establishment book were not recorded in the second establishment book first compiled in 1869; it is reasonable to assume that they left the Bank's service during the intervening period¹¹⁷. By comparison, of the 60 agents listed in 1858, 43, or 72 per cent, still worked for the Bank in 1873.

Before proceeding to examine employment at Royal Bank after 1871 one final development requires attention. Before 1854 clerks had frequently travelled the short distance between head office and the Leith branch. After 1854 they began moving further afield, for example, a head office clerk became an agent at Drymen in the rural west of Scotland after the board failed to find a suitable local agent to run a

¹¹³ RBM, 1st Dec. 1852

¹¹⁴ RBM 6th & 13th Jun., 12th Mar. and 10th Sep. 1856

¹¹⁵ RBM 3rd Jun. 1863

¹¹⁶ N. Tamaki, *op. cit.*, p. 116

¹¹⁷ Estimate based on analysis (nominal record linkage) of names listed in RB 307 and RB 309

branch requested by the Duke of Montrose¹¹⁸. Thereafter, staff began moving in both directions once the recruitment of apprentices to head office and the main Glasgow office effectively stopped. These locations became dependent on clerks drawn in from the branches on the recommendation of their agents. In the branches too once the network was established staff began being transferred between previously isolated offices. This movement oiled the workings of the ILM. More than this, it became integral to careers as for a growing number promotion also required a transfer between the various offices of the Bank, rendering careers a fusion of hierarchical and geographical mobility.

To summarise, rapid organisational change; the adoption of branch banking, made Royal Bank a substantial employer and posed novel administrative problems of scale and complexity. Existing techniques were used to govern employment at the major offices, while in the branches authority over staffing was delegated to agents subject to head office approval. Yet in both locations a concern with cost saw external recruitment to promoted posts (with the exception of agents) ending once the capacity to support internal promotion was established. Despite this advance, limited promotion opportunities due to the retention of part-time agents in the branches and the significance of seniority in the allocation of promoted posts in the largest offices, plus ongoing efforts to minimise salary costs, saw junior staff begin to leave in increasing numbers.

4.5 Employment as system, 1871 - 1873

Although employment at Royal Bank by 1871 possessed all four characteristics of an ILM, the bureaucracy of the Bank remained reactive, intermittent and fragmentary; staffing decisions were typically taken only after needs arose. The changes subsequently made to

¹¹⁸ RBM 12th Oct. and 3rd Nov. 1871

employment by John Fleming were part of a broader programme of measures reflecting the new Cashier's concern with cost, control and efficiency. They proved notable in that they rendered employment an integrated system. Fleming oversaw the development and implementation of new, sophisticated and continuous methods of scrutinising and recording organisational processes that stretched from staffing to lending. In his first year he overhauled procedures for counting the cash at head office, simplified book-keeping arrangements at Glasgow, reworked arrangements with the London correspondents and saw to it that a number of "irregular" agents and an inspector resigned¹¹⁹. Such vigour was in marked contrast to the ill health that marked his predecessor's last years in office. Indeed, there is the sense that to fresh eyes Royal Bank was perceived to have fallen into a state of administrative disrepair. It was also an organisation apparently bereft of new ideas as within a year of being appointed Fleming embarked on an investigation into staffing at Bank of Scotland, the Bank of England and various other Scottish and English banks¹²⁰. However, the changes Fleming made were not just about novelty and efficiency. They were predicated on an attempt to rework the principles informing the allocation of salaries and promotions, by replacing seniority with managerial assessments of merit and ability.

The reconstruction of employment at Royal Bank as system entailed integrating the exercise of authority with career processes. Careers were to be managed not just left to unfold, while introducing an element of discretion would allow the rewards on offer to be used as incentives and to reward individual effort and ability, as well as engender loyalty. Moreover, the administrative resources Fleming put in place were never merely neutral documents; rather they constituted an expression of managerial authority.

¹¹⁹ RBM 27th Sep., 18th Oct., 8th & 22nd Nov. 1871, 12th Jan., 26th Apr., 17th Jul. and 7th Aug. 1872

¹²⁰ RBM 18th Aug. & 6th Dec. 1871

Fleming's working life began when he qualified as a lawyer; later he became secretary then manager of the Western Bank. This made him another outsider to head office whose appointment predictably clashed with the constraints imposed by seniority; a round of conciliatory salary increases at head office accordingly followed¹²¹. The new Cashier thereafter sought to ensure this gesture was the last of its kind and set about securing the right to manage staffing as he alone saw fit. In passing Fleming noted the use of junior staff to record career information had unintended consequences:

"Hitherto the salaries have been paid by one of the Tellers and have passed through the public books of the Bank and so have been disclosed to every Clerk. This leads to inexpedient comparison and is an unusual course"¹²².

On Fleming's orders after December 1871 only a quarterly aggregate of salaries was recorded in the public books, the Secretary and the Accountant assumed responsibility for payment and individual details were kept in a private book. Thus, change began with measures intended to undermine the ability of staff to express an opinion about pay and conditions. "Divide and rule" offers a melodramatic interpretation of this; nevertheless, the express desire to end "inexpedient comparison" lends some support to radical accounts of ILMs where these are depicted as a strategy for removing collective constraints on managerial authority. Head office staff records had unofficially provided staff with ammunition for their complaints with the practice of noting the date of entry to head office besides the names of staff a precise means of checking seniority was earning its reward. On Fleming's orders this information was placed beyond the reach of staff and followed by a rule barring the discussion of salaries, which completed the transformation of an impolite topic of conversation to the illegitimate¹²³. Shunting information concerning pay and promotion up the Bank's hierarchy in this way was a tactic used to reduce the

¹²¹ RBM 13th & 20th Sep. and 29th Dec. 1871

¹²² RBM 6th Dec. 1871

ability of staff to influence the allocation of pay and promotions; staff could no longer complain about what they did not and were not supposed to know.

Minor administrative alterations accompanied by conciliatory salary increases went some way towards securing the Cashier a degree of unquestionable authority, which his predecessors had lacked. However, complete autonomy in staffing matters required the removal of seniority from the allocative process, a more radical and contentious change that culminated in a new scheme for the governance of pay and promotion throughout the Bank introduced in 1873. Most of this scheme is reproduced below. The fifty-five clerks then serving at head office were placed in five classes, with similar arrangements introduced shortly afterwards at the main Glasgow office:

Scheme introduced in 1873 to arrange the establishment at the head office of the Royal Bank of Scotland

Senior Clerks -	to be specially dealt with when necessary by the Court, and the number if necessary may be increased beyond three.
First Class Clerks -	maximum salary £200. To increase biennially by £15 till the maximum is reached.
Second Class Clerks -	maximum salary £130. To increase biennially by £15 till the maximum be reached.
Fourth Class clerks -	minimum at entrance £60. To increase by £10 annually till salaries reach £80 and thereafter by £10 biennially till maximum of £100 be reached ¹²⁴ .

Besides the new salary ceilings this new scheme differed from previous arrangements in that it formally disconnected promotion from positions. No limits were placed on the membership of each class with

¹²³ RBM 7th Sep. 1875

¹²⁴ RBM 17th Sep. 1873

Table 4.4. *The structure of agents and accountants salaries in 1873 (in £s at current prices)*

<i>Branch class</i>	<i>Deposits (£000)</i>	<i>Agent salaries</i>		<i>Accountant salaries</i>	
		<i>Min.</i>	<i>Max.</i>	<i>Min.</i>	<i>Max.</i>
I	over £100	£300	£500	£120	£200
II	£60 to £100	£200	£400	£90	£150
III	£30 to £60	£150	£300	£70	£110
IV	under £30	£100	£200	£50	£80

Source RBM 17th Sep. 1873

movement between them possible on the basis of "distinguished merit" alone. Therefore it gave scope for promotion bottlenecks to be eased, as there was no longer any need to wait for a position to fall vacant before a promotion could occur.

The 1873 scheme also standardised employment in all but the largest branches for the first time. Branches were placed in one of four classes according to the volume of deposits they held and agents and accountants salaries set according to the class of branch they worked in (see table 4.4 above). The scheme held out the prospect of higher salaries if a branch moved to a higher class, encouraging all branch staff to gather deposits. As a national salary scale it also simplified the process of setting individual salaries, although in practice Fleming explained "It is perhaps impossible to lay down any rule as to the salaries of agents"¹²⁵ and "As regards the staff at the Branches there will no doubt always be exceptional cases arising from local circumstances requiring exceptional treatment"¹²⁶. Only apprentice salaries were inflexible; each would move along a three-year salary scale of £10, £20 then £30.

The new scheme also put in place definite career structures for branch staff. Careers would occur over a succession of related positions

¹²⁵ *ibid.*

¹²⁶ *ibid.*

arranged in a hierarchy of authority and reward, through which staff would move in an orderly, predictable fashion. This would begin on completion of an apprenticeship when the names of those considered qualified and intending to remain with the Bank were placed on a list kept at head office of staff waiting for promotion to branch accountant. Until then the eligible would serve as a clerk "either at the Branch where he was trained or elsewhere"¹²⁷. On becoming an accountant further promotions were "to be given by transfer from branches of a lower to branches of a higher class". This movement as well as the name, age and annual salaries all full-time staff recruited in the branches received during the entire course of their Royal Bank careers were subsequently recorded in half page entries in what became a series of staff books¹²⁸. However, once the position of accountant at a first class branch was reached the possibility of further promotion formally ended. Although accountants did become agents, no allowance was made for this occurring.

By rendering employment an integrated whole Fleming sought greater authority over staffing matters. The arrangements he set out required that staff adopt a new set of values as throughout the Bank seniority was repeatedly rejected as a criterion on which to base staffing decisions. At head office and the main Glasgow office, except for the long service allowance, salary increases were to be "allowed only where the head of department reports satisfactorily as to conduct and efficiency" and as for promotion; "No claims for more rapid advancement to be entertained on the grounds of seniority merely"¹²⁹. In the branches too: "salaries not to be raised except where agent reports satisfactorily as to conduct and efficiency" with "seniority merely to give no claims to promotion"¹³⁰. Stripping seniority from staffing decisions would allow pay and promotion to be used as effort

¹²⁷ *ibid.*

¹²⁸ *ibid.*

¹²⁹ *ibid.*

incentives and as a means of discipline. The complacent would not suffer; no allowance was made for salary reductions or demotions, but they would not prosper either. Instead, they would experience the ignominy of being left behind by their peers performing the low paid and mundane duties young clerks regarded as a penance to be endured on the way to better things.

The response of the head office staff was rapid, but unsuccessful. The ever-increasing number of young men from the branches passing through head office had diluted the once close links between staff. Simultaneously, the market for bank staff had moved against labour. As no Scottish banks were formed after 1844, there was no longer a Scottish market for the experienced clerks and tellers previously poached to devise accounting and administrative procedures for newly established banks, while banks operating elsewhere tended to confine their recruitment to younger members of staff (staff turnover and emigration is considered in more detail in chapters 5 & 6 below). In these circumstances seniority had remained an influence largely because a Cashier and board unwilling to implement change and intent on maintaining amicable staff relations tolerated it¹³¹. Fleming, at a remove from a staff increasingly at a remove from each other, would not tolerate this or any other challenge to his authority. The memorial staff sent to the board¹³² criticising the new arrangements was acknowledged and some minor concessions made, otherwise the board stood firm; "In all other respects we recommend the scheme to be adhered to at least until it has had a fair trial"¹³³. It received this and more, remaining in place largely intact until after the First World War.

The removal of seniority and recreation of employment as a bank-wide scheme also involved altering the scope of the employment

¹³⁰ *ibid.*

¹³¹ On the importance of good staff relations see the comments of Charles Boase, RBM 22nd Jun. 1864

¹³² RBM 25th Mar. 1874

¹³³ *ibid.*

relationship. Each of the paternalistic benefits staff received were scrutinised, then reformed. To assist in this process Fleming investigated arrangements elsewhere. For example, he introduced Bank of Scotland holiday arrangements to Royal Bank:

"tellers on average and senior officers to get four weeks, special time of absence to be arranged amongst themselves; Clerks who have served ten years to get three weeks, and younger clerks generally to have a fortnight, a few days more on special application not objected to"¹³⁴.

As one aspect of employment was changed, another became subject to review, lending the process its on bureaucratic momentum. For instance, as a security measure staff provided bonds guaranteeing any monies lost in the course of their duties. The more senior the position the larger the bond, for instance, in the 1850s a Glasgow teller provided a £1,000 guarantee, whereas a Dundee agent provided a £2,000 bond¹³⁵. Difficulties arose when the circumstance of guarantors changed, when guarantors were reluctant to meet their obligations and when staff were promoted to positions requiring larger bonds than their guarantors could hope to meet. The use of British Guarantee Association bonds overcame these restrictions. But, in 1853 a dispute arose when the board refused to furnish the Association with the information it requested to assess the risk involved in a £1,000 bond¹³⁶. To prevent such disputes and restrict access to potentially sensitive business information, Fleming introduced a contributory Royal Bank Staff Guarantee Fund in 1872¹³⁷. Once the fund reached £10,000, the surplus was carried over to a newly created Officer's Benefit Fund that contributors and their dependants could apply to for small grants awarded at the board's discretion. The guarantee fund was notable because all staff were obliged to join, so that for the first time branch staff were directly involved in the paternalistic process.

¹³⁴ RBM 30th May 1871

¹³⁵ RB 307

¹³⁶ RBM 23rd Mar., 6th & 13th Apr. 1853

¹³⁷ RBM 6th Dec. 1871 and 2nd Oct. 1872

The guarantee and benefit funds made employment as well as the Bank's paternalistic regime more inclusive in other ways. By replacing the personal bond agents previously provided, the guarantee fund in theory left branch accountants the main restraining influence over agent behaviour. However, this arrangement was compromised when agents selected, paid or assessed their own subordinates. To resolve this all those working in the branches were moved onto the Bank's permanent staff and existing benefit arrangements brought into line with the guarantee and benefit funds. The widows' fund was originally confined to Edinburgh and Glasgow staff, until in 1877 its trustees decided that all staff should be eligible to join. To ensure this took place the board resolved:

"that every person who may be hereafter appointed an officer, agent, clerk, or porter in the service of the Bank shall become a contributor ... if he be married at the time of his appointment, or, if he should afterwards marry while in the service of the Bank"¹³⁸.

This was no great hardship. Unlike the retiring allowance widows' pensions were awarded as a right and paid out of funds lodged in an account that benefited from employer contributions and a preferential interest rate.

However, greater inclusiveness widened the distances between the different levels of the Bank hierarchy. Until 1854 the board had been involved in setting the salaries of every member of staff on an individual basis. After the establishment of the network applications for salary increases became a regular and unwelcome distraction at board meetings. To relieve the board of this burden the Cashier assumed sole responsibility for setting all but the salaries of the most senior staff, a task undertaken at the end of each calendar year. The salary review joined the annual balance in setting the rhythm of work, becoming a ritual event imposed from on high and approached by staff with trepidation. It also served to remove staff from board meetings as

individuals, replacing them with a collective abstraction - the staff, an item of expenditure largely devoid of personality. Similarly, the benefits fund and the widows' fund also reduced the intimacy that previously figured in staff relations. The widows' fund, for instance, was altered as

"It is manifest that such a result would be very advantageous to the Bank as it would prevent appeals to the Charity of the Directors being made from time to time on account of families left wholly unprovided for"¹³⁹.

Such reforms rendered the various funds and their rules and regulations, not the board, the focus of staff attention.

While Lockwood describes such changes as the bureaucratisation of clerical employment and argues this alienated subordinates from superiors, we need to be careful to avoid confusing people with positions¹⁴⁰. The majority of staff who worked at Royal Bank after 1854 had never experienced the intimacy that characterised employment relations before then, while those who had; senior officials, senior clerks and agents, continued receiving the personal attention of the board. Rather, the nature of the employment relationship changed over the course of each career, with staff gradually moving into view of the board if or as they ascended the hierarchy.

This raft of changes cumulatively transformed the culture of the Bank, altering the content and scope of the employment relationship by inaugurating a style of management whereby the Cashier held unquestioned and unquestionable authority. Fleming acquired a status subsequently conveyed by the anonymous Moneta who described a Scottish bank general manager as:

"the Mhadi of the Soudan, the Grand Llama of Thibet, the sublime Porte of Turkey, and the Czar of Russia all rolled into one"¹⁴¹.

Such grand figures were unwilling to tolerate the negotiation that once featured in staffing decisions. For instance, after 1873 staff were

¹³⁸ *ibid.*

¹³⁹ RBM 21st Feb. 1877

¹⁴⁰ D. Lockwood, (1989); G. Anderson (1974)

¹⁴¹ Moneta, *op. cit.*, p. 42

informed "that they may be transferred from one Branch to another at the pleasure of the Head Office"¹⁴². This example introduces one final development. "Head office" itself became an important element in the culture of the Bank. Head office was where the Cashier resided and decisions concerning every aspect of the bank were taken. Authority, though remaining the prerogative of the Bank, emanated from head office via numerous circulars, rule books and instructions. This proliferation of paperwork made for a more pervasive and militaristic form of control all were obliged to comply with. For instance, a circular issued in 1875 informed agents they had been judged lax in their supervision of petty running costs and would in future provide inspectors - the embodiment of head office authority - with detailed records and explanations of their expenditure¹⁴³. One final change, then, concerned attitudes at the highest levels of the Bank towards staff. Whereas loyalty had previously been assumed, though it was periodically deemed necessary to cosset and cajole staff to elicit appropriate behaviour, in this new regime staff were simply expected to do as they were told without question.

4.6 Conclusion

This chapter has depicted the formation of an ILM at the Royal Bank of Scotland as a dynamic process that occurred over three phases. A complex phenomenon, no single explanatory factor drawn from the economics literature discussed above appears capable of explaining its occurrence. Rather an eclectic approach that draws upon a range of factors, which varied in importance over time, provides the most convincing explanation. In an industry where the technological and legislative environment as well as the services provided remained essentially static, three factors provided the necessary dynamics of

¹⁴² RBM 17th Sep. 1873

¹⁴³ RB 375/1, Circular dated 18th Oct. 1875

change: industrial structure, organisational development; and the interaction between managerial innovation and staff expectations.

The structure of banking was particularly important in the first half of the nineteenth century when the joint-stock banking boom as detailed in previous chapters intensified competition at the same time as increasing the demand for bank labour ahead of supply. During this period the transferability rather than the specificity of skills was key as it prompted the introduction of incremental salaries served to reduce staff turnover at minimal expense. No new banks were formed in Scotland after 1844 and after 1857 the General Managers' Committee controlled competition. In these changed conditions the various incremental rewards remained in place to encourage loyal and faithful service in circumstances where monitoring was expensive and imperfect. Used in conjunction with rules governing the economic, political and social lives of staff inside and outside work, they contributed to the generation of a common sense compatible with the exercise of hierarchical authority.

In keeping with Kanter's account of rapid organisational change; the adoption of branch banking transformed the scope of Royal Bank, but it has been argued the resultant organisational complexity in itself is an insufficient explanation of those changes made to employment. Although branches were firmly attached to the Bank, agents retained a significant degree of autonomy due to their market position and the limited administrative capacity of head office. Definite limits on head office authority left employment occurring within a bureaucratic core and branch network periphery, wherein branch staff were subject to an ad-hoc range of measures as opposed to the formal schemes implemented at the major offices. However, in both locations there was a common concern with minimising staffing costs that resulted in internal promotion being adopted as a means of avoiding the cost of appointing already experienced staff from outside to promoted posts. There was also an acceptance of the principle that salaries were often an

insufficient incentive for junior staff to stay. This, plus the limited promotion prospects on offer, due to the role of seniority in deciding the distribution of promoted posts and use of part-time agents, which reduced the availability of managerial positions, resulted in a high turnover rate developing amongst junior staff.

All these factors contributed to employment at Royal Bank acquiring the characteristics of an ILM. However, it remained for John Fleming to implement the broader programme of changes necessary to render this an integrated whole. Fleming acted to place employment at Royal Bank on a par with rival institutions following a period of apparent neglect. The apparent economic rationale for change as part of an overall concern with efficiency and reduced running costs, appears to have been to harness those trends in staffing that became apparent in the 1860s: first, the transition to a near complete reliance on internal promotion; and second the high rate of turnover amongst junior staff. Both these developments, due to the payment of incremental salaries, served to minimise staffing costs.

However, the changes Fleming implemented were also a critical response to the culture of the organisation he took charge of. He pursued an ideal subsequently described by Andrew Kerr:

"bankers. From the time of their entrance into the service they should have reason to feel that they are in a current of promotion, from the benefits of which only their own incompetence can exclude them. A heartfelt *esprit de corps* should be carefully encouraged in each establishment"¹⁴⁴.

This necessitated a change in organisational culture. The attachment of staff to seniority had seriously impeded the operation of those schemes introduced in 1843 and 1867 to regulate employment at head office. Fleming purposefully removed seniority from the allocation of salaries and promotions, undermining those practices that supported it and refusing to accept it had any legitimate role to play. At the same time Fleming sought to create a more inclusive culture. All those working in

the Bank became eligible to receive the paternalistic benefits on offer, but as part of a new, more authoritarian regime that lacked the previous element of negotiation and where managerial estimates of effort and ability were posited as the sole criteria on which allocative decisions were to be made.

¹⁴⁴ A. K. Kerr, *Bank Officers*, in A. W. Kerr, (ed), *op. cit.*, p. 138

Chapter 5: Employment in the Royal Bank of Scotland and clerical living standards, 1873 - 1914

5.1 Introduction

When the course of clerical living standards after 1870 has been considered the conclusions reached have tended to be pessimistic. Gregory Anderson has argued, and it has been broadly accepted that the salaries, job security and promotion prospects of clerks declined after the 1870s¹. This was due primarily to the increased supply of appropriate male labour in an increasingly literate country as well as the employment of women; factors that tended to increase supply ahead of demand. At the same time opportunities to move from being a clerk to an independent businessmen, for instance, from a tea-broker's clerk to tea-broker, declined due to the increasing scale and cost of capitalist enterprise. Consequently, an increasing number of clerks were confined to a poorly paid economic dependency. Yet Stewart, Prandy and Blackburn suggest standards were often low to begin with, while drawing attention to the disparate range of positions lumped together under the single heading clerk, which impedes the generation of broadly applicable conclusions². Then, there is a disparate body of optimistic suggestions made by Crossick, Gourvish and Anderson based on examinations of pay and conditions in insurance and railway companies, examples of the large organisations Anderson first identified as a cause of declining clerical living standards³. Each author

¹ G. Anderson (1976) and "The Social Economy of Late-Victorian Clerks", in G. Crossick (ed.), op. cit. For the acceptance of this view see for example D. Lockwood (1989) p. 251. For pessimistic accounts in keeping with Anderson's argument see H. Perkin (1989), pp.78-101; and J. Harris, *Private Lives Public Spirit: Britain 1870-1914*, (London: Penguin, 1993), pp. 130-132

² A. Stewart, K. Prandy and R. M. Blackburn, *Occupations and Social Stratification*, (London: Macmillan, 1980)

³ G. Anderson, "The Labour Market", in C. J. Wrigley, (ed.), *A History of British Industrial Relations*, (Brighton: Harvester Press, 1982); T. R. Gourvish, "The Standard of Living, 1890-1914", in A. O'Day, (ed.), *The Edwardian Age: Conflict and Stability 1900-1914*, (London: Macmillan, 1979); and the discussion of Crossick in H. Kaelble, *Industrialisation and Social Inequality in 19th - Century Europe*, (Leamington Spa: Berg, 1986), pp. 68-69.

notes the benefits of employment within what was identified in the previous chapter as an ILM; stable employment, opportunities for promotion to highly rewarded managerial positions and salaries that tended to increase incrementally during the course of a career. The more optimistic view, which these studies support ties in with a developing international body of literature, suggesting a new orthodoxy perhaps wherein the development of organised capitalism facilitated greater upward social mobility, more narrowly understood here as enhanced promotion prospects within public and private sector bureaucratic hierarchies and consequently improved living standards⁴.

The present chapter attempts to resolve some of these issues using the example of employment at the Royal Bank of Scotland. It begins by reviewing those changes made to the ILM established during the third quarter of the nineteenth century. In itself this is significant because as the *raison d'être* of an ILM is allocative decisions are made by administrative means, participants are insulated from the full effects of the free market. Therefore, the existence and operation of an ILM undermines accounts of clerical living standards primarily dependent upon market based explanations. This is followed by a quantitative account of bank careers, which identifies the volume of recruitment and tenure patterns as well as the extent, probability and rate of promotion. Using this data it is possible to test for the first time the assertion that clerical promotion prospects declined during this period. The next section is concerned with the rewards of bank employment and sets out the complete package of benefits, which Royal Bank staff received alongside estimates of their nominal worth, before examining the salaries individual staff received over the course of their careers. The outcome is then reviewed and evaluated in relation to existing accounts and the overall aims of this thesis.

⁴ see the various contributions to A. Miles and D. Vincent (eds.) *op. cit.*

5.2 A stable system

It is the great stability of those employment arrangements, which James Fleming introduced that most impresses. Staffing became part of the mutually agreed conservatism present in Scottish banking since 1857. In an industry where competition was successfully contained, the services provided remained essentially static, the organisational form and technology used stayed largely unchanged and growth occurred only gradually, the business of banking provided no obvious impetus for change. Indeed, when change did occur outsiders typically induced it. For instance, Hamilton Hotson, formerly of Bank of Scotland and the Bank of Liverpool, returned to Scotland in 1886 to manage the British Linen Bank. As Fleming had before him, Hotson imposed a new managerial regime, replacing seniority with merit in the allocation of salaries and promotions and moving staff more regularly around the branch network⁵. At Royal Bank no outsiders were appointed to senior positions and after Fleming resigned (retired) in 1892 the board looked no further than head office to find the next two Cashiers. Although both had worked elsewhere - David Huie began his working life in insurance and Adam Tait in law - they were still in their twenties when they entered head office and were very much Royal Bank men when they became Cashier. Both were largely content with administering the system they were brought up in, then took charge of.

Modest changes did occur, primarily in response to the slow down in deposit growth. Huie sought to encourage deposit gathering by introducing commission payments for agents over and above the salaries they already received, which were set according to the deposits held at their branches⁶. Adam Tait subsequently reformed the retirement arrangements in 1907, something influenced by the introduction of state pensions, only to the extent that clarifying the Bank's retirement arrangements made clear that state interference was

⁵ C. A. Malcolm (1950), p. 138

⁶ See the discussion of agents and deposit gathering in chapter 2

unnecessary (and unwanted)⁷. Allowances continued to be set at the directors' discretion, while the actuarial details of the reforms (staff received an allowance equal to one sixtieth of their final salary for each year of employment until a maximum of forty sixtieths was reached) merely confirmed civil service pensions set a standard no other employer was willing to supersede⁸. Rather, what was significant about Tait's reforms was the introduction of compulsory retirement at 65. Until then staff remained where they were receiving their maximum salaries almost regardless of what effects old age had on their performance. This was an incentive for staff to stay and for the Cashier to have them retire. But without a fixed retirement age arranging the retirement of part-time agents in the 1890s and 1900s proved a protracted process and barrier to progress⁹. Compulsory retirement at 65 (although older staff could be retained at the directors' discretion) allowed for the easy removal of the less productive and for younger, more vigorous agents to be appointed in their place. Within a year of the reform this occurred at five branches¹⁰.

Apart from these attempts at encouraging deposit gathering and streamlining staffing, a few alterations were made to perfect what was already held to be a near perfect administration¹¹. The limit on the guarantee fund was raised to £16,000 in 1893 then £25,000 in 1903 to accommodate the increase in staff numbers and business of the Bank¹². The London branch, once a distinctive element in the economy of the Bank, became a complete part of it as the first generation of staff recruited from other banks were gradually replaced by the young Scots clerks sent down to assist them¹³. Once the original manager retired in 1905 the remaining English accents belonged to the "English heaven";

⁷ RBM 18th Dec. 1907

⁸ RBM 13th Jun. 1877, 14th Nov. 1884 and 13th Jun. 1888

⁹ RBM 7th Jan. 1898, 6th Mar. 1899, 19th Mar. 1902, 6th Jun. 1906 and 19th Jun. 1907

¹⁰ RBM 6th Mar. and 8th Apr. 1908

¹¹ This celebration of Scottish banking dominates the various histories of the banks published before 1950

¹² RBM 24th May 1893 and 23rd Sep. 1903

clerks and tellers recruited locally whose accents it was hoped would avoid offending local sensibilities¹⁴. This same reasoning in reverse meant that with only one exception, staff recruited at London were never transferred to Scotland. Otherwise employment at Royal Bank in 1914 was much as it had been in 1873 to the extent that the salary scales James Fleming introduced remained intact and in place.

5.3 Recruitment, tenure and promotion

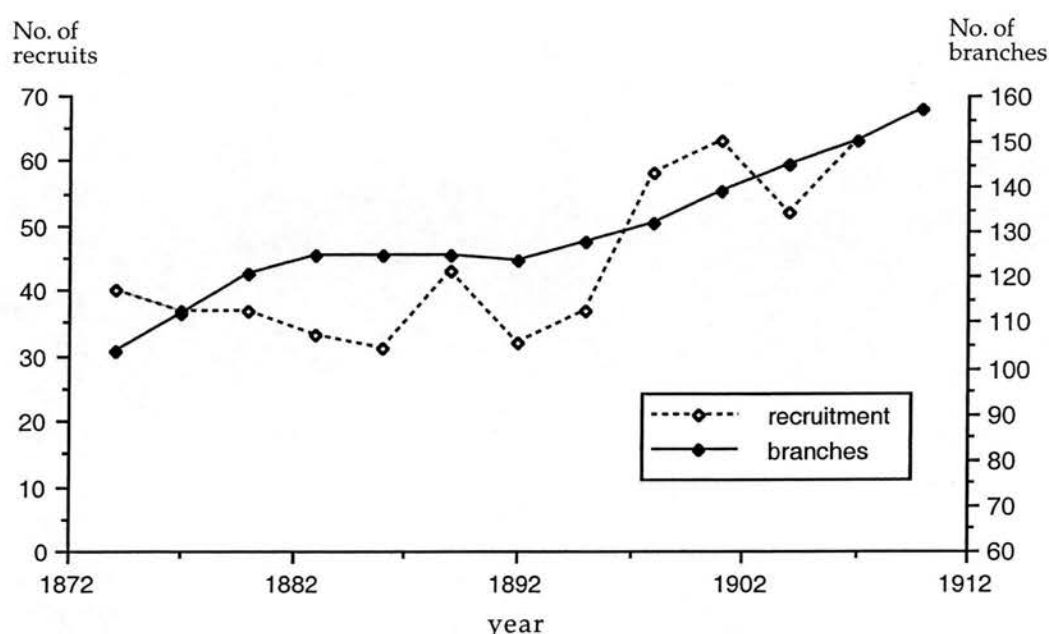
Integral to the employment reforms, which James Fleming introduced in the 1870s was the establishment of a series of staff books in 1873 (for a description of these, their use and limitations see appendix 1). These were maintained until 1969 and provide the first source of continuous longitudinal data on employment at Royal bank. The name, age and career details, including offices worked in, positions held and salaries received, of every full-time member of the non-manual staff was recorded in a half page entry. The details of every entrant to the Bank up to and including 1900 and those of a 50 per cent systematic random sample thereafter has been used to establish the basic dimensions of employment; recruitment, tenure and the probability, rate and extent of promotion.

Recruitment continued to take place through those methods detailed in the previous chapter; agents would approach or be approached by individuals associated with the Bank and leading local figures to discuss the employment of suitable youths who would then be interviewed. The names of successful candidates were placed on a waiting list kept at head office for entry to the service, then they were appointed to a branch usually close enough to allow them to remain in their parental homes. Annual recruitment fluctuated, then from the early 1880s rapidly increased (see figure 5.1 below). Given the increase

¹³ RB 17 Memo on opening of the London office in 1874 by A. S. Michie, (1926)

¹⁴ RB 17 Memo on the opening of the London office in 1874, A. S. Michie, (1926); RBM 4th Jan. 1905; RB 684 London manager's letters, letter dated 15th Nov. 1897

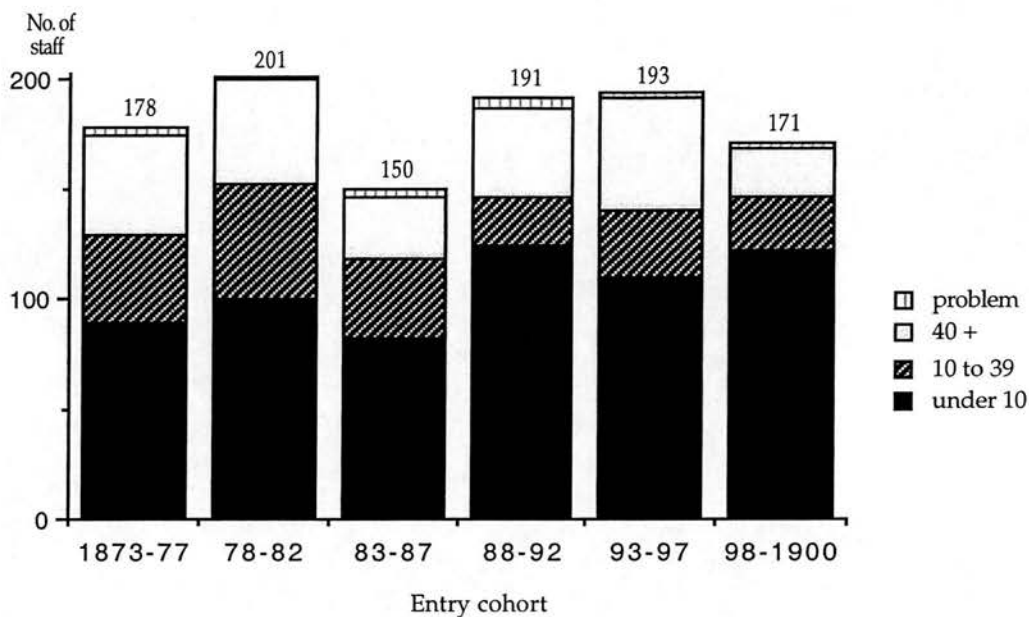
Figure 5.1 *Annual Recruitment to the Royal Bank of Scotland, 1873 - 1914 (three year smoothed averages)*



in the number of branches (see figure 5.1), it is apparent recruitment increased to staff a growing organisation.

However, the growth in recruitment was also due to the tenure pattern that developed. Figure 5.2 (and figure 5.3) below depicts how long staff recruited during the period 1873 to 1900 stayed using broad categories to overcome data limitations - a number of entries in the staff records include an entry date, but lack a precise leaving date (the method of overcoming this problem is detailed in appendix 2). Clearly, after 1873 a growing majority of recruits - over 70 per cent of those taken on in the late-1890s - left within ten years of entering the Bank. As salaries tended to increase with length of service, these apprentices provided the Bank with cheap labour, though not enough to contain the increase in staffing costs experienced in the 1900s (see table 5.3 below). Those who left the Bank did not re-enter. What became of them is examined in the next chapter, the remainder of this section considers what happened to those who stayed.

Figure 5.2: *The career duration of Royal Bank of Scotland staff recruited during the period 1873 - 1900 (in years)*



The staff books allow the assertion that for clerks the rate and likelihood of promotion declined after the 1870s to be tested for the first time. To do so it is necessary to establish what level of promotion to measure. Becoming an agent provides an appropriate level as it conferred significant economic rewards and a certain place in (local) society. Joint-agents were also included in the "agents" category as full-time staff frequently shared agencies with part-time agents; the former provided the banking expertise, while the latter were often no more than a figurehead employed to attach their connections and local knowledge to the Bank. In addition, while few staff became Cashier, there were a range of other senior positions they could more plausibly aspire to; secretary, accountant, superintendent, inspector and their various assistants and deputies (essentially all those at the three largest offices identifiable as something other than a clerk or teller, but

Table 5.1. *The proportion of clerical recruits to the Royal Bank of Scotland who became an agent or a senior official c. 1873-1897 (by year of entry)*

<i>Entry period</i>	<i>Agents</i>	<i>Senior officials</i>	<i>No. of entrants</i>
1873-77	18.3 %	2.8 %	180
1878-82	17.6 "	2.5 "	204
1883-87	13.8 "	2.0 "	152
1888-92	16.7 "	0.5 "	192
1893-97	21.8 "	3.6 "	193
1873-97	17.8 "	2.3 "	921

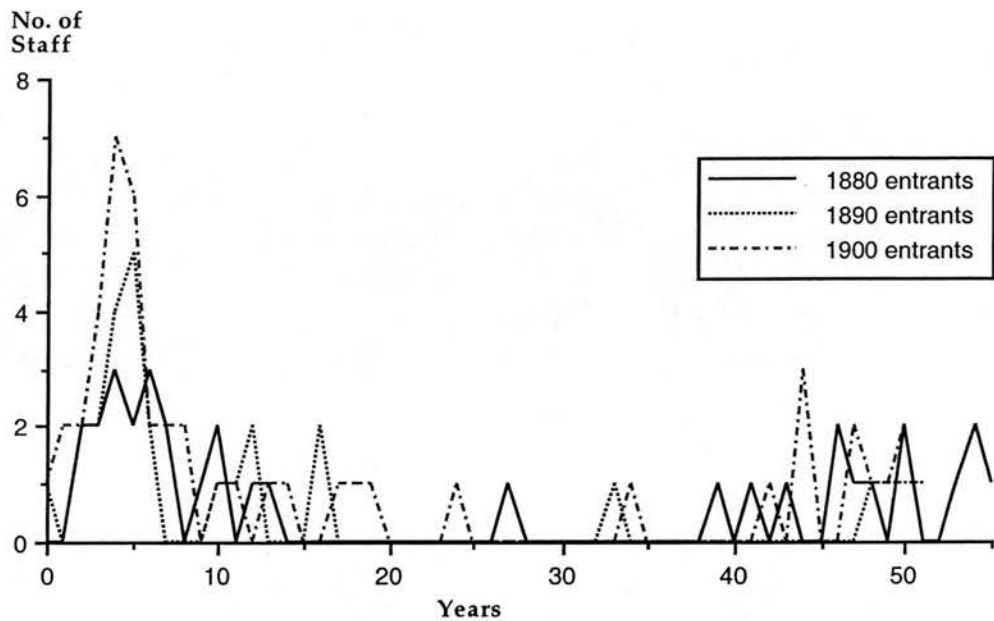
Table 5.2. *The proportion of clerical recruits to the Royal Bank of Scotland who stayed at least 10 years and became an Agent or Senior official c. 1873-1897 (by year of entry)*

<i>Entry period</i>	<i>Agents</i>	<i>Senior officials</i>	<i>No. of examples.</i>
1873-77	38.8 %	5.9 %	85
1878-82	36.0 "	5.0 "	100
1883-87	32.8 "	4.7 "	64
1888-92	51.6 "	1.6 "	62
1893-97	51.9 "	8.6 "	81
1873-97	41.8 "	5.3 "	392

including clerks authorised to sign pro-cashier), which have been grouped together to form the category "senior officials" in tables 5.1 and 5.2. It should be noted these are exclusive categories. For instance, accountants at first class branches and tellers at the largest offices, were paid more than the agent of a fourth class branch. However, these other positions were excluded, as were sub-agents, due to their subordinate status.

Table 5.1 indicates that promotion to a managerial position though possible, was unlikely, and the promotion prospects of staff recruited immediately after the 1870s declined. However, this does not take staff turnover into account. By excluding all those who left within ten years of entering the Bank (see table 5.2) so as to focus on the prospects of those who experienced lengthy Royal Bank careers,

Figure 5.3. *Career duration of Royal Bank of Scotland staff recruited in 1880, 1890 and 1900*



reveals a substantial improvement in staff fortunes. Moreover, after an initial dip, the promotion prospects of this group of staff recruited in the late 1880s and 1890s were markedly better than those recruited in the late 1870s and early 1880s. Three factors can explain this change: first, the growing tendency for recruits to leave within ten years of entering the Bank reduced competition for promoted posts; second, the increased number of promoted posts available due to the continuous expansion of the branch network; and third, the gradual phasing out of part-time agents, which accelerated after the alteration of retirement arrangements in 1907.

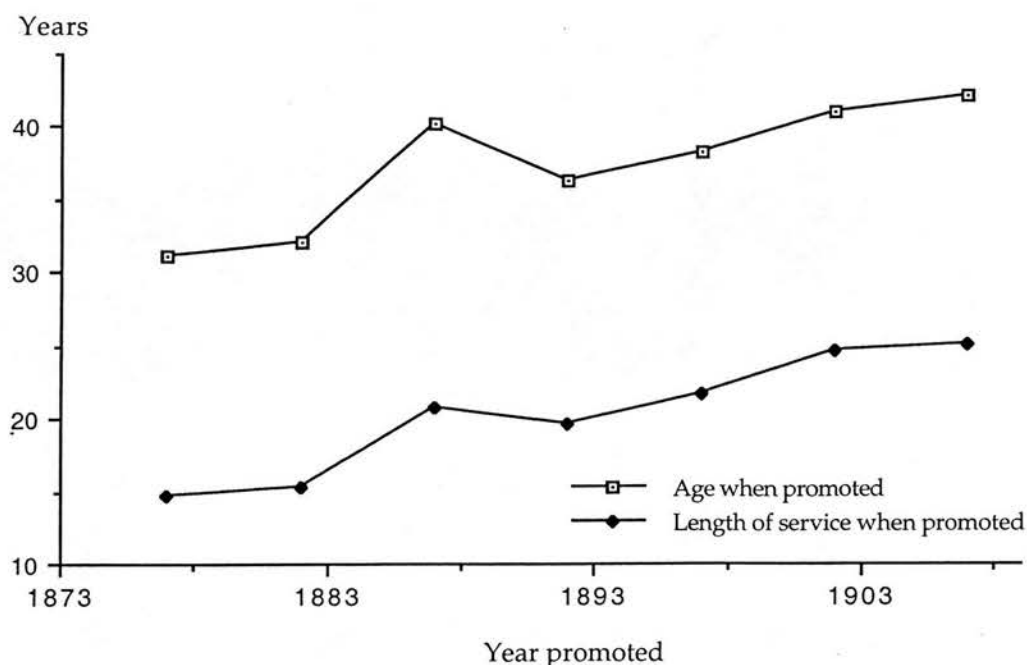
This pattern of promotion and tenure lent careers a particular form. Figure 5.3 above charts the length of time, which staff recruited in 1880, 1890 and 1900 spent working for Royal Bank. It illustrates the polarisation that occurred in staff tenure (the data used to produce figure 5.3 is subject to certain qualifications, 15 of the 122 possible subjects were excluded as their career duration could not be identified

precisely, though we can note eight of these appear to have progressed no further than an apprenticeship before leaving, which confirms the following conclusion¹⁵). A majority of staff left Royal Bank during the course of their working lives, increasingly on or shortly after completing an apprenticeship. Amongst those they left behind a growing majority stayed until death or retirement, effectively enjoying a job for life. A variety of contingent events, death, poor health, dismissal and, for entrants in 1900, the First World War, explain most of the turnover occurring between these poles. In other words, the data presented in figure 5.3 and table 5.2 indicates that from the late 1880s recruits who stayed until their early to mid-twenties had embarked on lifelong careers where the chance of eventually reaching a managerial position was better than one in two.

The process of compiling this data also revealed that the careers of agents and senior officials possessed distinct geographies. To avoid double counting two subjects who held positions as senior officials and as agents were only included as agents in tables 5.1 and 5.2 as in each case this was the more highly rewarded position and their final career position. Otherwise agents and senior officials followed different paths to their ultimate career destinations. Whereas the former tended to move between branches and major offices on a gradually upward spiral, the latter were identified as promising material early in their careers and brought into one of the main offices, where they stayed within an exclusive orbit moving up the clerical ranks until reaching a senior position. This partial segmentation of the ILM may well have been unique to Royal Bank. For instance, David Wilson at Clydesdale Bank moved from the Ayr branch to head office then to Leith, where he gained first-hand experience of lending first as accountant then as agent, before returning to head office in 1875 where he remained, eventually

¹⁵ *The Staff Books of the Royal Bank of Scotland*. For a discussion of this source and its use see Appendices 1 and 2

Figure 5.4. *Average (median) time taken from entering the service of Royal Bank to first becoming an agent or joint-agent, c. 1873 – 1909 (5 yr smoothed averages)*



becoming general manager in 1887¹⁶. At Royal Bank such careers were more intimate affairs with senior officials taking it upon themselves to nurture their eventual replacements after spotting them at an early age.

Although the likelihood of promotion increased, the changing rate of promotion over time lends some support to pessimistic accounts of clerical living standards. An early sign of this was in 1863 when the General Manager of the Clydesdale Bank, asked to find a position for the son of an acquaintance, recommended another career because in a bank "he might be for 20 years without attaining anything like a good position"¹⁷. By the 1870s contemporaries noted "in Scotland banking is popularly regarded as the most dismal and hopeless of respectable professions"¹⁸. The time taken by Royal Bank staff from recruitment to first becoming an agent is in keeping with these pessimistic accounts. Figure 5.4 above depicts the (median) average time taken to first

¹⁶ C. W. Munn (1988A), pp. 319-320

¹⁷ *ibid.* p. 47

becoming an agent (or joint-agent) during five year periods beginning in 1873 and ending in 1913. It shows that the rate of promotion declined almost continuously after the 1870s, before stabilising in the 1900s. The age data included in figure 5.4 indicates that the demographic character of agents changed in the process; whereas in the 1870s staff often became agents in their thirties, by the 1900s they had to wait until their early forties to reach the same position. During the intervening period their personal circumstances changed in predictable ways; many got married and had children. Thus, towards the end of the nineteenth century the figure of the agent (or bank manager as he became known after 1945) as a stable and responsible family man first emerged¹⁹.

5.4 Rewards

Staff received a set annual salary paid monthly into a bank account, an arrangement that possesses an apparent clarity when compared to, for example, the cotton industry where the diversity of labour use in relation to methods of payment renders generalisations about wage trends no more than notional averages²⁰. However, calculating the rewards of bank employment poses its own set of methodological and analytical challenges. First, ignoring the other benefits staff routinely received although allowing ready comparison with waged employment, systematically and significantly underestimates the worth of bank work. Second, as Crossick notes, clerks often experienced a distinctive life-earnings curve of gradual increases with few interruptions²¹. Therefore, unless sensitive to this movement and the dispersal of staff along the various salary scales attached to different positions, averages threaten to collapse meaningful distinctions in favour of notional measures. Bearing these points in

¹⁸ Quoted in S. G. Checkland, *op. cit.*, p. 492

¹⁹ For a sensitive account of the character of bank managers (agents) during the first three quarters of the twentieth century that is of relevance here see S. Halford, M. Savage and A. Witz, *Gender, Careers and Organisations*, (London: Macmillan, 1997), pp. 112-125

²⁰ K. Burgess quoted in T. R. Gourvish, *op. cit.*, p. 25

mind the following section has two aims: first, to estimate the total monetary worth of the other benefits staff received; and second, to detail the life-earnings curve of bank staff, giving consideration to the rate at which salaries increased as well as their changing worth over time.

In Andrew Kerr's opinion "A bank clerk's circumstances will contrast very favourably with those of any other description of clerk, with, perhaps, the exception of the Government service"²². Therefore, achieving the first aim necessitates distinguishing between those benefits unique to banking and the more commonplace. The tellers allowance and free accommodation were examples of the former. The tellers allowance involved paying £5 to £25 p.a., depending on the size of office, to staff engaged in telling. It accumulated in a loss account that any cash lost was deducted from. The remainder was paid to the teller when he left the Bank or changed position. An accuracy incentive, the worth of the eventual lump sum depended on the size of the allowance, the length of time spent as a teller and the individual. The few examples available indicate that it could be a substantial benefit. For instance, in 1881 a head office teller used the £654 in his loss account as security for a £600 loan to buy a house²³. Whereas the tellers' allowance encouraged accuracy, free accommodation in a bank house began as a security measure as it ensured a member of staff was always present to guard the cash. For this reason when staff occupying a bank house resigned (or died) they and families were obliged to leave. The bank house at head office was originally for the Cashier, but gradually passed down the hierarchy until David Huie (then Secretary) moved out in favour of the Cashkeeper in 1890²⁴. The flats routinely built above branches remained the agents' prerogative. Except at the largest branches where the accountant often took the agent's place, most agents took

²¹ H. Kaelbe, *op. cit.* pp. 68 - 69

²² A. Kerr, "Bank Officers", in A. Kerr, (ed.), *op. cit.*, p. 139

²³ RBM 19th. Jan. 1881

advantage of this arrangement. Free accommodation also facilitated movement between branches as it removed a possible barrier to staff transfers (junior staff transferred to a new location often lived with the agent at least until they found alternative accommodation)²⁵. The £40 to £60 annual accommodation allowance paid to agents at branches without a flat is an indication of how much free accommodation was worth.

Staff also supplemented their salaries selling insurance, the one additional interest they were allowed to pursue due to its risk free nature. In insurance as in banking the local influence a company could secure was regarded as the key to success, which made bank agents attractive as salesmen to insurance companies²⁶. Part-time then full-time bank agents took to selling insurance with occasionally evangelical vigour. One Edinburgh agent introduced his customers to fire insurance in 1863, followed by accident insurance, plate glass insurance and finally employers' liability insurance²⁷. A letter to the *Scottish Banking and Insurance Magazine* suggested that all staff pursued this lucrative sideline²⁸. The correspondent explained that every time he entered a branch the agent, then the accountant, the clerk and finally the apprentice would try to sell him a new policy. Although the letter was probably an exasperated exaggeration, it is plausible to assume that accountants due to their status as office managers and frequent use as acting agents, did sell insurance, but to an unknown extent. Presumably staff working in the same branch did not sell rival products and in the branch the correspondent described the agent monopolised the most lucrative policies. If successful he could more than double his income.

²⁴ RBM 2nd May 1890

²⁵ See for example RBM 22nd Feb. 1888

²⁶ J. Treble, "The performance of the Standard Life Assurance Company in the ordinary life market in Scotland, 1850-1875", in J. Butt & J. T. Ward, (eds.) *Scottish Themes*, (Edinburgh: Scottish Academic Press, 1976)

²⁷ Moneta, op. cit., p.50; on the development of insurance products see R. Pearson, "Towards an historical model of services innovation: the case of the insurance industry, 1700-1914", *Economic History Review*, L., (1997), pp. 235-256

²⁸ *Scottish Banking and Insurance Magazine*, 1879, pp. 154-55

The social consequences for the individual of the more commonplace benefits, which staff received have tended to attract most attention²⁹. Wilensky, for example, suggests a career spent within an ILM serves to integrate the individual with the organisation and promote social stability³⁰. Yet the characteristic features of employment in an ILM conferred more immediate economic benefits. Khan notes the salary earner can

"develop a different pattern of expenditure - to become, say, an owner of his house instead of a tenant. Such a different expenditure pattern in turn produces a further divergence of habits and tastes: differing modes of consumption contribute, not unnaturally, to different modes of life"³¹.

This distinction between wages and salaries derives from the predictability and reliability of clerical incomes and the stability of employment. Clerks typically avoided those seasonal fluctuations in employment, which were endemic to the building trade, or the unemployment and underemployment accompanied by the need to devote resources to job search induced by the business cycle in shipbuilding³². Paid holidays similarly ensured uninterrupted earnings and remained a particular benefit of clerical employment until significant numbers of manual workers began receiving them in the 1930s following a series of national trade union campaigns, themselves an indication of their perceived worth³³. Furthermore, paid holidays as well as the living allowance, which Royal Bank staff working in London received symbolised the sheltered nature of clerical employment. While holidays with and without pay were often timed to coincide with quiet periods in factory, office and bank work, only manual workers bore the

²⁹ See the discussion of ILM theory in the previous chapter

³⁰ H. L. Wilensky, "Work, careers and social integration", in T. Burns, (ed.), *Industrial Man*, (London: Penguin, 1969)

³¹ H. R. Khan, "The Distinction between Wages and Salaries", *Scottish Journal of Political Economy*, 1956, pp. 140-141

³² C. J. McKenna, "The Theory of Search in Labour Markets", in D. Sapsford and Z. Tzannatos, (eds.), *Current Issues in Labour Economics*, (1990); J. Treble, *Urban Poverty in Britain*, (1979), pp. 51-90

³³ S. G. Jones, *Workers at Play*, (London: Routledge and Kegan Paul, 1986), pp. 18-20

financial brunt of variations in demand. And, whereas Scottish miners paid to have their picks sharpened - the equivalent of a clerk buying his own ink - clerks were spared the expense of contributing to routine overheads.

Employer paternalism ensured that the reliability and predictability of earnings continued almost regardless of health and old age. Royal Bank staff were particularly well catered for in these respects. In one example a branch accountant unable to work due to illness received his full salary for a year and a half before being put on half salary and given two years leave³⁴. It was not until a medical report confirmed that there was no possibility of the accountant returning to work that he was asked to resign and awarded a £150 grant. The unfortunate accountant died shortly afterwards, but if he had reached his 50s other examples suggest he would have received a retiring allowance instead of a grant.

However, the more immediate effect of employer paternalism was to preserve the disposable incomes of staff in that they received a range of benefits, which it is doubtful they could have afforded to purchase from an alternative provider. The tolerance of poor health, for instance, meant that staff had no need to spend the weekly shillings and pence necessary to secure a modicum of insurance against poor health and temporary unemployment that became one of the markers of working class respectability. The non-contributory retirement allowance was a more significant benefit. The growing number of workers who purchased insurance policies and joined friendly societies rarely purchased an old age pension; instead they saved primarily to provide for their funeral expenses. The reasons for this were straightforward; they could not afford a pension and (rightly) judged themselves unlikely to live long enough to enjoy it. Indeed, due to their cost pensions remained the exception, as there were few private

³⁴ RBM 9th Mar. 1896. See also the similar treatment of a head office clerk detailed in RBM 7th Feb. 1896

providers. Only one working man's society - the Northumberland and Durham Miners' Permanent Relief Society, established in 1862 - proved able to sustain a pension scheme in the nineteenth century³⁵. Even then it only paid small pensions; four shillings a week in an industry where life expectancy and therefore the number of recipients, remained low. The introduction of a means tested state pension in 1908 did little to alter this situation due to its modest worth and limited coverage. Rather, before 1914 it required employers to become involved before employees received a pension they could afford to live on. This occurred in railway companies where arrangements and benefit levels similar to those at Royal Bank were introduced. The main difference was that clerks and managers contributed 2½ per cent of their annual salaries to a fund the railway companies then matched³⁶. The figure of 5 per cent reoccurs amongst the affluent minority who took advantage of tax relief on insurance policies introduced in 1853 and devoted approximately 5 per cent of their income to saving for old age³⁷. Thus 5 per cent provides an approximate guide to the financial, though not the psychological worth of the non-contributory retirement allowance.

Turning now to salaries, the data on staffing costs presented in table 5.3 below, indicates that salaries were to a considerable extent shielded from the external market, confirming the existence of an ILM. Over the period 1898 to 1911 the total salary bill for the branch network (at current prices) increased by 26.2 per cent. However, this does not take into account the actual growth of the network. The increase in the (mean) average cost of staffing a branch during this period was a more modest 7.0 per cent. The estimated increase in total branch staff numbers between 1899 and 1909 indicates that this was partially due to the number of staff working in each branch increasing from an average of 4.7 in 1899 to 5.0 in 1909. The average salaries staff received also

³⁵ L. Hannah, *Inventing retirement The Development of occupational pensions in Britain*, (Cambridge: Cambridge University Press, 1986), pp. 6-7

³⁶ *ibid.* pp. 10-11

Table 5.3. *The cost of staffing the branches of the Royal Bank of Scotland (£s at current prices)*

<i>Year</i>	<i>Total cost of salaries *</i>	<i>No. of branches **</i>	<i>Average salary cost per branch</i>	<i>Total deposits ***</i>	<i>Total salaries total deposits</i>	<i>Total branch staff****</i>
1898	82,007	128	640.68	12,892,645	157.2	611
1899	83,920	129	650.54	13,338,322	158.9	
1900	N/A	129	N/A	14,157,122	N/A	
1901	88,624	131	676.52	14,127,980,	159.4	
1902	89,286	130	686.82	14,039,469	157.2	719
1903	90,592	132	686.30	13,993,263	154.5	
1904	92,278	132	699.08	13,761,281	149.1	
1905	91,614	136	673.63	13,606,172	148.6	
1906	94,960	137	693.14	13,666,322	143.9	
1907	95314	138	690.68	14,569,781	152.9	
1908	96,879	142	682.25	14,013,796	144.7	
1909	99,346	143	694.73	13,861,273	139.5	
1910	102,412	145	706.29	13,920,173	135.9	
1911	103,524	151	685.59	14,455,195	139.6	

Notes: * The Total cost of salaries is derived from a figure labelled "amount actually paid" and excludes head office
 ** Branch totals were taken from the establishment books
 *** The figures for Total deposits were taken from RB 419
 **** An estimate which includes (approximately a dozen) manual & unidentifiable staff

Source: RB 484/13 - 26, Establishment books

increased in nominal terms, but by a more modest 0.6 % between these two points. However, even this is significant because each pound spent on salaries earned a progressively smaller return in terms of deposits. In other words, while it is reasonable to assume branches were regarded as a long-term investment and the initially high running costs of those opened during this period would eventually fall relative to the deposits they attracted, it appears the traditional method of increasing deposits by opening more branches, was proving less effective and more expensive to implement. Although the possibility existed for this to be offset by lending resources being used more profitably, profits varied on an annual basis, whereas the upwards drift in staffing costs

³⁷ *ibid.* pp. 4-5

proved consistent. Thus, in the short-term there was only a weak link between profits and pay.

On the other hand the fact that the salary scales introduced in 1873 remained unchanged until after the First World War lends some support to Anderson's contention that clerical incomes stagnated between 1870 and 1914³⁸. But, until the mid-1890s such rigidity was likely to have been advantageous as the dominant influence on rising living standards in the last quarter of the nineteenth century was the sustained fall in the cost of food, fuel and other necessities, which began in 1873 and lasted until 1896³⁹. However, fixed salary scales were potentially disadvantageous when prices rose for much of the period after 1896, though whether this reduced the worth of salaries relative to wages is not immediately apparent. Gourvish concludes that most manual workers experienced pressure on their economic position during much of the 1900s, an era Beveridge characterised as cramped and uneasy, while along Clydeside a substantial fall in real wages during the depressions of 1904-5 and 1908-9, provided the precondition for an upsurge in industrial militancy in 1910-14⁴⁰. Furthermore, Royal Bank staff benefited from various measures geared to preserving the established salary scale, while counteracting the effects of what, with some justification, was regarded as short-term inflation. Bonuses were

³⁸ G. Anderson, (1977) op. cit., pp. 131-32

³⁹ C. Feinstein, 'A new look at the cost of living 1870 - 1914', in J. Foreman-Peck (ed), *New perspectives on the late Victorian economy*, (Cambridge: Cambridge University Press, 1991). The use of existing cost of living indices requires some qualification as they chart the changing cost of those goods and services, which dominated working class expenditure. This is important because arguments about clerical standards of living are essentially concerned with the extent to which the cost of being middle class increased faster than clerical incomes, yet as Feinstein notes throughout the period 1870-1914 the cost of renting middle class accommodation declined. However, in the absence of a middle class cost of living index the magnitude of the price changes that have been identified and the broad base of goods used are such that it seems reasonable to assume the trends identified are generally applicable to a study of bank salaries. For a discussion of the need for a middle class cost of living index see H. M. Boot, "Real incomes of the British middle class, 1760-1850: the experience of clerks at the East India Company", *Economic History Review*, LII, (1999), pp. 638 - 668

⁴⁰ T. R. Gourvish, op. cit., p. 29; Wm. Beveridge quoted in Feinstein, op. cit., p. 151; A. McIvor and W. Kenefick, "Introduction: Roots of Red Clydeside c.1910-1914" and R. Devlin, "Strike patterns and employers' responses, Clydeside in comparative perspective", both in A. McIvor and W. Kenefick, (eds.), op. cit.

paid, individual members of staff received higher salaries than the scale allowed for as a reward for special diligence and in 1901 the board resolved to pay the income tax of staff⁴¹.

Within this context of falling then rising prices and relatively static nominal salary levels, staff pursued a distinctive lifetime earnings curve that requires consideration on two levels - within and between cohorts. Table 5.4 below excludes the salaries received by staff working in London as these were inflated by what was effectively a London allowance, to concentrate on the (mean) average salaries paid to successive cohorts of Royal Bank Scottish branch staff, an approach allowing ready comparison between cohorts. In addition the salary data only commences after each cohort had served for 10 years, to avoid including the salaries of those staff who had already left, but for whom a definite leaving date is not available.

The data presented in table 5.4 illustrates the distinctive lifetime earnings Crossick notes. Within each cohort salaries increased almost continuously throughout each career, rapidly during the first twenty or so years, then slowly until tailing off almost completely as the subjects approached the end of their working lives. Static measures, fail to capture this movement, and consequently underestimate clerical pay. For example, Perkin suggests only 44 per cent of those who working in banking in 1909 earned over £160 a year (the minimum threshold for income tax and therefore a key line of social distinction)⁴². This point is illustrated below in table 5.5, which indicates that approximately three quarters of all those who entered Royal Bank during the periods 1859-61 and 1869-71 and who stayed received salaries greater than or equal to £160 in the 1900s. Thus, before 1896 the intra-generational experience of bank staff was one of almost continuous improvement in living standards, while even after 1896 average salaries continued growing ahead of prices. Only the 1859-61 cohort experienced a reduction in their real earnings as approaching the end of their careers, the real

⁴¹ RBM 12th Nov. 1877, 2nd Jan. 1878, 22nd & 29th Dec. 1900 and 4th Mar. 1906. A. W. Kerr, "Bank Officers", in A. W. Kerr, (ed.), op. cit., p. 136; Form included in RB/B1/1

Instructions to the Agents and accountants of the Royal Bank of Scotland (Ayton branch copy)
⁴² H. Perkin, (1989) p. 98; A. Marwick, *The Deluge British Society and the First World War*, 2nd ed., (London: Macmillan, 1991), p.61

Table 5.4 *The average salaries received by successive cohorts of Royal Bank of Scotland recruits, 1859 - 1891 (£s at current prices)*

Years of service	Entry Period (1859-61)		(1869-71)		(1879-81)		(1889-91)	
	Avg. Salary	No. of subjects	Avg. Salary	No. of subjects	Avg. Salary	No. of subjects	Avg. Salary	No. of subjects
10	90.00	1	101.81	22	82.97	37	80.5	30
11	85.00	2	109.77	22	87.58	33	87.78	29
12	110.00	5	119.55	22	91.94	31	92.12	26
13	114.00	5	129.29	21	94.83	29	96.60	25
14	128.33	6	133.10	21	100.54	28	104.00	25
15	136.67	6	136.50	20	103.89	27	110.00	25
16	140.00	6	137.25	20	108.46	26	118.40	25
17	154.17	6	144.50	20	113.96	24	129.81	26
18	157.50	6	148.25	20	116.25	24	136.73	26
19	160.00	6	158.25	20	120.87	24	140.38	26
20	185.00	6	161.00	20	126.52	23	151.92	26
21	195.00	6	168.00	20	161.30	23	160.77	26
22	196.67	6	168.00	20	136.09	23	166.40	25
23	196.67	6	174.25	20	140.87	23	172.20	25
24	196.67	6	178.75	20	145.87	23	179.79	24
25	196.67	6	180.00	20	150.00	23	191.46	24
26	196.67	6	187.90	19	156.30	23		
27	196.67	6	202.63	19	160.00	22		
28	196.67	6	202.11	19	164.00	20		
29	208.33	6	211.47	17	167.00	20		
30	212.50	6	218.75	16	175.50	20		
31	229.17	6	224.69	16	178.50	20		
32	225.00	5	224.38	16	180.79	19		
33	225.00	5	230.62	16	186.32	19		
34	225.00	5	258.75	16	186.11	18		
35	230.00	5	262.50	16	191.39	18		
36	230.00	5	266.25	16				
37	230.00	5	272.67	15				
38	246.00	5	275.67	15				
39	246.00	5	289.29	14				
40	246.00	5	298.46	13				
41	246.00	5	299.62	13				
42	246.00	5	303.08	13				
43	250.00	5	304.62	13				
44	256.00	5	317.33	15				
45	261.00	5	318.00	15				

Table 5.5 *The percentage of Royal Bank staff recruited in the years 1859-1861 and 1869-1871 who received a salary of at least £160*

<i>Length of service</i>	<i>% salaries > £159</i>	<i>No. of subjects</i>
10 years	7.1	28
20 years	46.2	26
30 years	71.4	21
40 years	77.8	18

worth of their largely static salaries fell due to inflation.

Comparison between cohorts was facilitated by the decision to concentrate on the average salaries received by distinctive groups large enough to minimise the effects of unique and therefore unrepresentative individuals. Even so the results are complex and reveal no clear trends. The first point to note is the substantial differentials that existed between each cohort. By the turn of the century and after approximately 40 years service the first cohort received an average annual salary of £246, compared to the £219, £127 and £80 paid to the second, third and fourth cohorts. These differentials reduced as staff approached their final career destination and began catching up with their predecessors. However, it is also apparent the rate at which average salaries grew varied between cohorts despite the branch salary scale remaining unchanged. This is most likely due to fluctuations in the rate of promotion. Staff recruited in 1859, 1860 and 1861 appear to have received the highest and fastest growing salaries during the first 30 years of their careers. Thereafter the second cohort overtook them, a consequence perhaps of improved promotion prospects and an indication that low earnings during the early stages of a career did not preclude relatively high earnings later on. However, as the average salaries received by the 1879-81 cohort grew more slowly and remained lower than either of the previous cohorts there are some signs of decline, a trend exacerbated by this cohort's experience of rising prices. However, the ongoing improvement in promotion prospects

enabled the final cohort to recover much of the ground lost, indeed, after 25 years service in nominal terms they were earning a fraction more than the cohort immediately preceding them despite the latter's additional 10 years service. This also indicates that seniority was not a sufficient qualification for promotion or an increased salary. Thus, although the average salaries, which successive cohorts received appear on balance to have fallen, this process was neither continuous nor straightforward.

5.5 Conclusion

Single examples are always subject to particular, unique or contingent factors and it is dangerous to generalise from them. There are undoubtedly examples yet to be found of clerks whose incomes did stagnate and whose employment became less secure due to the reasons set out by Anderson. But this chapter has established that participation within an ILM conferred the substantial benefits of secure employment and a stable income. Nor should we expect otherwise given that imperviousness to exogenous economic factors is a defining characteristic of an ILM. Indeed, here the establishment of an ILM appears to have divided the labour market as a whole into protected and precarious sectors with bank staff firmly located in the former, insulated from the endemic seasonal or business cycle variations that routinely impacted upon employment and wages elsewhere. Instead the rhythm of bank work was determined by bureaucratic routines, most obviously the spectacle of the annual salary review.

The shielded nature of bank employment was further embodied in the numerous free and subsidised benefits, which staff received. Consequently, existing studies that have concentrated on salaries significantly underestimate the worth of clerical employment. Arguably if free to do so bank staff would have chosen higher salaries over benefits and opted to spend these in other ways. However, the growth

of friendly societies and industrial insurance providers, which workers less well placed voluntarily joined, suggests that this is unlikely. Even so the actual financial worth of, for example, the retirement allowance, is difficult to estimate given that the amounts involved were dependent on how long recipients lived (in this respect the introduction of compulsory retirement at 65 increased its value). Rather bank paternalism had the immediate effect of preserving the disposable incomes of staff, enhancing their capacity to consume goods and services. Furthermore, it granted a degree of reassurance and, where payments in kind were involved, provided some immunity against the effects of modest inflation. Thus, for some, and it is likely to have been a substantial number, the combination of a free retirement allowance, an income tax allowance, free accommodation, subsidised widows and benefits schemes, the tellers allowance and opportunities to sell insurance more than doubled the worth of bank employment.

All these other benefits only gradually became available and were closely attached to promotion rendering salary figures an increasingly poor guide to living standards over the course of each career. Bearing this in mind a pessimistic account would need to focus on the substantial minority that stayed in Scotland and did not reach a managerial position after 1896. This group had fewer means of responding to rising prices (i.e. selling insurance) or the insulation granted by free accommodation. They were more dependent on salaries that do appear on balance to have grown more slowly over time and reached lower levels. Even so compared to contemporaries in other forms of employment their incomes still grew ahead of inflation. Moreover, even if they eventually reached a low plateau, this still compares favourably with coal mining, for example, where pay was often linked to individual output as well as prices and life-time earnings tended to peak then began a gradual decline as age affected

productivity⁴³. Thus, by the standards of the time few staff personally experienced any relative decline in their living standards, at worst they did not progress as rapidly as they might otherwise have expected or hoped for. In light of this conclusion the movement of clerks to the suburbs and accompanying proliferation of mass produced goods; the bicycles, bowler hats, home furnishings and numerous journals that came to prominence in the Edwardian era, appears indicative more of modest affluence than social desperation at least until the 1900s. However, this is not to suggest we merely replace an under researched pessimism with the particularities of a case study based optimism. Rather this examination of employment has revealed the distinctive life-earnings curve clerks experienced and the other benefits they received need to be taken into account in any future assessment of clerical living standards.

⁴³ See for example A. Slaven "Earnings and Productivity in the Scottish Coal-Mining Industry during the nineteenth century: The Dixon Enterprises", in P. L. Payne, (ed.), *Studies in Scottish Business History*, (London: Frank Cass, 1967); and S. Price, "Riveters' Earnings in Clyde Shipbuilding 1889-1913", *Scottish Economic and Social History*, vol. 1, No. 1, 1981, pp. 42-65

Chapter 6: Banking, emigration and empire, 1850 – 1914

6.1 Introduction

The previous chapter identified the existence of an increasing majority of Royal Bank recruits who left on or shortly after completing an apprenticeship. Establishing why and where they went form the starting points of this chapter, while the emphasis on the importance of emigration in existing accounts of Scottish bank employment provides the beginnings of an answer. More than this, investigating how staff regarded the locations they moved between offers an important means of exploring the relationship between employment and the social identity and values of the subjects of this thesis within the context of a broader Scottish phenomenon¹. Between 1825 and 1938, 2,332,608 people, primarily young men, left Scotland to live and work overseas². Although possibly a third eventually returned the volume of emigration remains substantial, while an additional number, approximately 600,000 from 1840 to 1911, migrated to other parts of Great Britain. Indeed, Scotland became an emigrant society at the same time as it became an industrial nation, one where emigration formed an important element in the labour market and a routine response to economic change in Great Britain and overseas. Whereas the 1911 census recorded 491,352 males engaged in mining, textiles, metal manufacture, shipbuilding and engineering in Scotland, in the years 1904-13, when emigration was at its peak, the total outflow of Scots exceeded 600,000, placing the volume of Scottish emigration relative to the population a probable second only to Ireland in Europe. Emigration was ubiquitous. As Morris notes in Scotland "everyone seems to have a

¹ S. G. Checkland, op., cit., pp. 491-93; A. W., Kerr (1926), p. 245; and C. W. Munn (1988A), p. 109

² For detailed discussions of Scottish emigration see M. W. Flinn et al, *Scottish Population History from the 17th Century to the 1930s*, (Cambridge: Cambridge University Press, 1977); D. Baines, *Migration in a Mature Economy*, (Cambridge: Cambridge University Press, 1985); M. Anderson and D. Morse, "The People", in R. J. Morris and W. H. Fraser, (eds.) op. cit.; and

cousin or an uncle in Canada, Australia or New Zealand"³. Despite the scale of this phenomenon, with the notable exception of the highland clearances emigration remains an under-explored yet significant aspect of recent Scottish economic and social history.

Anderson and Morse note that the effects of emigration on Scottish culture and consciousness have proved so universal they have rarely been reflected upon⁴. Recent research has begun addressing this omission, in some instances going so far as to place emigration and empire at the centre of Scottish public life. Finlay depicts a nineteenth century Scotland that exported a celebrated army of empire builders - skilled men and professionals - who equipped foreign lands with the institutions and infrastructure necessary to bring new nations into being⁵. The achievements of Scots abroad reflected well on the old country, providing evidence of national prowess with Scottish success constituting a distinctive contribution to the empire that validated claims to equal status in the union. The numerous contemporary examples of this include a Burns supper in 1906 where John Ure-Primrose, the owner of a flour mill, ex-Lord Provost of Glasgow and Chairman of Rangers Football Club, placed emigrants alongside soldiers, preachers, statesmen, investors and captains of industry in the pantheon of great Scots⁶. In this account emigration was an obligation, a national duty that matched moral purposes with the pursuit of personal gain.

However, this is emigration as seen almost exclusively from above. To focus on the public pronouncements of the economic, political, social and intellectual elite that stayed behind to celebrate

T. Devine, "The Paradox of Scottish Emigration", in T. Devine (ed.), *Exploring the Scottish Past Themes in the History of Scottish Society*, (East Lothian: Tuckwell Press, 1995)

³ R. J. Morris, "Introduction: Scotland, 1830-1914. The making of a Nation within a Nation", in R. J. Morris and W. H. Fraser, (eds.), *op. cit.*, p. 3

⁴ M. Anderson and D. Morse, *op. cit.*, p. 23

⁵ R. J. Finlay, *A Partnership for Good? Scottish Politics and the Union Since 1880*, (Edinburgh: John Donald, 1997), pp. 14-35

⁶ Described in G. Walker, "Varieties of Scottish Protestant Identity", in T. M. Devine and R. J. Finlay, (eds.), *op. cit.*, p. 263.

emigration is to ignore the fragmentation of families and emotional dislocation this same success rested upon. After all emigration required parents' watch their sons leave behind all that was familiar to them in exchange for a new life in distant, often dangerous lands. Indeed, emigration acquired a particular importance for a specific stratum in Scottish society. This is evident in *Careers for our Sons: A Practical Handbook for Parents* written in 1904 by a grammar school master for "the man who desires to be strictly careful in his expenditure" and was of that "class" of parents for whom the cost of an university education was an (unaffordable) extravagance, in other words, what we can loosely describe as the lower middle class of lesser professionals, dependent white-collar employees and small business owners⁷. In separate chapters the author explained how to prosper in seventeen separate occupations with trade and skilled manual work noticeably absent. It is the final chapter on "Colonial Openings", a topic absent from earlier career guides, that concerns us here⁸. It presents emigration as merely one more option, unexceptional, routine and predictable, for those not attracted to the various other occupations the author described.

This chapter provides a history from below of emigration and the associated consciousness of emigration and empire in Late Victorian and Edwardian Scotland⁹. The argument advanced is as follows: the highly stable ILMs operated in Scottish banking were structured in accordance with the expectation that a majority of recruits would leave shortly after completing an apprenticeship to take employment elsewhere. The decision to emigrate was predicated upon a comparison of prospects in Scotland with those thought to be available elsewhere;

⁷ G. H. Williams, *Careers For Our Sons: A Practical Handbook*, (1904), p.3

⁸ See for example C. B. C. Amicus, *Hints on Life and How to Rise in Society*, (1845); and Anon., *Guide to Employment in London*, 2nd ed., (1889)

⁹ The classic example of history from below remains the work of E. P. Thompson, (1968) and "Eighteenth century English society: class struggle without class ?", *Social History*, 3, 1976; and more generally H. Kaye, *The British Marxist Historians*, (Cambridge: Polity Press, 1984), pp. 222-232

what mattered was the relative differential between opportunities at home and abroad¹⁰. Despite the broadly optimistic account of living standards presented in the previous chapter, it is argued that those who left were pulled abroad by the prospect of higher salaries and better promotion prospects, becoming a key component in an international labour market wherein Scottish banks effectively trained staff for banks operating elsewhere. The initial clear out of recruits fed back into employment in Scotland by enhancing the career prospects and living standards of those who remained. This system became the routine and was integral to the culture of bank work. Viewed from below it is argued emigration and empire figured prominently in the emotional lives and imagination of staff who stayed. Besides celebration, it is argued that empire and emigration provided a focus for public and private frustration with structures of social inequality, social conventions and personal circumstances. Finally, it is suggested the social origins of emigrants provide a basis for establishing a distinctively Scottish culture of emigration and empire.

The chapter proceeds by detailing the subsequent employment of those recruits who left Scottish banking, drawing attention to the importance of employment in banks outside Scotland. The next section considers the mechanics of emigration and the international market for bank labour. The final section uses the cultural framework, which bank employment provides to consider the consciousness of empire and emigration, generalising from this to broader perceptions of Scottish society.

¹⁰ For a discussion of the mechanics of emigration see N. Tranter, *Population and Society, 1750 - 1940*, (London: Longman, 1985), pp. 126-146 and *British Population in the Twentieth Century*, (London: Macmillan, 1996), pp. 19-43

6.2 Emigration and employment

(i) Destinations

The evidence discussed in chapter 5 suggests we can adopt a broadly optimistic view of clerical living standards during this period. If this is the case then the question arises why did so many recruits leave to seek their fortunes elsewhere? Unfortunately, Royal Bank staff records do not systematically detail what became of those who left to take employment elsewhere. This has been overcome by using information on the employment histories of 164 Aberdeen Grammar School pupils who entered the service of a Scottish bank during the period 1860 to 1909. This data in conjunction with detailed examples drawn from the records of the Royal Bank and the Institute of Bankers in Scotland, allows the post bank careers of those who entered then left the service of a Scottish bank to be examined in detail and the significance of emigration to be quantitatively established.

The Aberdeen data is subject to certain qualifications. A fee-paying grammar school is too exclusive to capture the poor and not exclusive enough to capture the rich. As agents often used recruitment as an act of patronage to attract and retain business, it follows that the social and economic origins of bank staff were a probable influence upon their subsequent careers. Reassuringly, systematic analyses of the social origins of bank staff in London and Liverpool generally supported by available Scottish examples indicate banks drew a majority of their staff from a narrow band of households headed by lesser professionals, dependent white-collar employees and small business owners¹¹. This social grouping when confronted by state and charitable institutions largely confined to the provision of an

¹¹ M. Savage, "Career mobility and class formation: British banking workers and the lower middle classes", in A. Miles and D. Vincent (eds.), *op. cit.*, pp. 201-202; and H. McLeod, "White Collar Values and the Role of Religion", in G. Crossick (ed.), *op. cit.*, table 2.1: Social origins of men marrying in Anglican churches, p.84

elementary education was able and often eager to pay for its sons to attend a grammar school at least for a few years¹².

Although a grammar school can be considered broadly representative its location need not be¹³. In 1890 teachers in the Northeast were noticeably better educated than their peers in the rest of Scotland¹⁴, but did they, for instance, provide a better quality of education? More concretely, and as we would expect, a majority of the subjects (93) entered the two Aberdeen based banks - the North of Scotland Bank and the Town and Country Bank. While Checkland noted every bank recruited more apprentices than it could permanently employ, Munn suggests the Aberdeen banks made disproportionate use of this employment strategy¹⁵. Thus, an Aberdeen based analysis may overestimate the number who left Scottish banking. However, this ensures the detailed analysis of post-bank careers undertaken below is less sensitive to unique and therefore unrepresentative examples.

Finally, as the entry date to banking of the former pupils approached 1922, when it appears the Aberdeen Grammar School book was published (there is no precise publication date), the work life data becomes increasingly truncated. To minimise the effects of this and the First World War only those pupils who entered banking before 1910 were included in the analysis. Given that in a clear majority of cases the decision to leave Royal Bank was taken within ten years of entering its service (see figures 5.2 and 5.3 above), the practice of barring staff from re-entering a bank after they left, the reluctance of the Scottish banks to employ staff trained by a rival (and we can note here the use of age restrictions by companies, which employed Scottish bank trained staff), it would appear that even for the final Aberdeen cohort the decision to

¹² J. A. Banks, *Prosperity and Parenthood a study of family planning and the Victorian Middle Classes*, (London: Routledge and Kegan Paul, 1954), pp. 189-196

¹³ For a discussion of how Scotland's four cities differed see R. J. Morris, "Urbanisation and Scotland", in R. J. Morris and W. H. Fraser (eds.), *op. cit.*

¹⁴ H. Corr, "An Exploration into Scottish Education", in R. J. Morris and W. H. Fraser (eds.), *op. cit.*, p. 296

¹⁵ S. G. Checkland, *op. cit.*, pp. 491-493; C. W. Munn (1988A), pp. 109

Table 6.1. *Last known employment location of Aberdeen Grammar School pupils who left Scottish banking, 1860-1909 (percentage distribution).*

<i>Entry Period</i>	<i>Scotland</i>	<i>England</i>	<i>Americas</i>	<i>Pacific Region</i>	<i>Africa</i>	<i>No.</i>
1860s	6 %	29 %	35 %	29 %	0 %	17
1870s	25 "	20 "	10 "	35 "	10 "	20
1880s	35 "	17 "	17 "	13 "	17 "	23
1890s	9 "	39 "	17 "	22 "	13 "	23
1900s	7 "	21 "	31 "	38 "	3 "	29
All leavers	16 "	25 "	22 "	28 "	9 "	112

Table 6.2. *Last known employer of Aberdeen Grammar School Pupils who entered Scottish banking, 1860-1909 (percentage distribution)*

<i>Entry Period</i>	<i>Scottish Bank</i>	<i>Banks Elsewhere</i>	<i>Other</i>	<i>No. of Examples</i>
1860s	32 %	36 %	32 %	25
1870s	43 "	29 "	29 "	35
1880s	33 "	25 "	42 "	36
1890s	21 "	35 "	45 "	29
1900s	26 "	46 "	28 "	39
All entrants	31 "	34 "	35 "	164

leave Scottish banking was permanent and is likely to have been recorded.

Table 6.1 depicts the last known employment location of the Aberdeen Grammar School pupils and table 6.2 their last known geographical location. They illustrate two trends crucial to understanding employment in Scottish banking: firstly, a clear and persistent majority (68 per cent of the total) of all those who entered a bank left during the course of their working lives to take employment elsewhere (table 6.1), indicating the tenure pattern at Royal Bank depicted in the previous chapter is broadly representative of Scottish banking as a whole; and secondly, apart from in the 1880s, a majority of those who left subsequently emigrated (table 6.2).

Leaving a Scottish bank in practice meant leaving Scotland due to the structure of the economy and structuring of the labour market. Male employment in Scotland was heavily concentrated in the capital goods sector of shipbuilding, coal, metals and engineering¹⁶. A bank apprenticeship does not appear to have provided a set of skills transferable to any of these sectors. Indeed, very few Aberdeen subjects subsequently worked in manufacturing of any kind. Although Scotland possessed a vibrant and innovative service sector, of which banking was an important part, the actual numbers this employed were small relative to England¹⁷. Scottish service providers were leading participants in the upsurge of professionalisation that affected Late-Victorian Britain; an Institute of Accountants was established in Edinburgh in 1853, followed by a Faculty of Actuaries in 1856, while stockbroking on the regional stock exchanges became an ever more established and specialised occupation¹⁸. Professionalisation established substantial entry barriers restricting the possibility of horizontal mobility between the limited number of service sector occupations.

Amongst the minority who left banking but stayed in Scotland those resources available from family and friends appear to have been the most important factor influencing their decision. For many parents a bank apprenticeship was a means to other ends in keeping with the preference for experience rather than theoretical knowledge as the essential prerequisite for a business career¹⁹. A bank apprenticeship gave a general business training at a time when colleges and universities were only beginning to piece together degrees in

¹⁶ C. Lee, "Modern Economic Growth and Structural Change in Scotland: the Service Sector Reconsidered", *Scottish Economic and Social History*, 3, (1983), pp. 5-35

¹⁷ *ibid.*

¹⁸ H. Perkin, (1989). On the development of various professions in Scotland see S. P. Walker, *The Society of Accountants in Edinburgh 1854-1914: a study of recruitment to a new profession*, (London: Garland, 1988); A. R. Davidson, *The Faculty of Actuaries in Scotland 1856-1956*, (Edinburgh, 1956); and R. Michie, *op. cit.*

¹⁹ On the training of Scottish businessmen see A. Slaven and D. Kim, "The Origins and Economic and Social Roles of Scottish Business Leaders, 1860-1960", in T. M. Devine, (ed.), *Scottish Elites*, (Edinburgh: John Donald, 1994)

commerce. Hence by 1907 the senior partner in a Portobello firm had placed four of his sons in Royal Bank to be trained, the last entering on the understanding that he would leave after a year or so to enter his father's business²⁰. This use of apprenticeships helped solidify the links between banks and customers and for important enough customers Royal Bank allowed itself to be drawn deeply into family affairs. At Dundee a branch accountant remained only as long as a position was unavailable in his relative's business. When a partner died the accountant quickly resigned to replace him returning a month later to borrow from the Bank²¹. An apprentice without a business to inherit could still capitalise upon the credit, expertise and connections, which the networks of family and friends that dominated nineteenth century commercial life made available, by leaving a bank to establish his own business²².

The "Other" in table 6.2 is a diverse category that includes a minister's son who left the Commercial Bank to become a professional singer in London and the eventual manager of a Zululand launderette. Time spent in a bank was clearly an opportunity for some to realise they would rather be doing something else. Their apprenticeship over a number of former Aberdeen Grammar School pupils entered unrelated fields including medicine and the arts. For this eclectic group the opportunities available in London proved particularly appealing. An apprenticeship gave others a set of general skills and experience that eased their entry into various service sector occupations, which lacked professional barriers. A knowledge of book-keeping, for example, undoubtedly assisted one subject who became a hotel manager, while working in a Scottish bank gave an eventual editor of the *Financial Times* an introduction to finance. Unfortunately the data on the

²⁰ Hunter Square Branch letter book, B561/3/3, Letter dated 9th Apr. 1907

²¹ RBM 9th and 28th Oct. 1872 and 21st May 1873

²² S. Nenadic, "The Victorian Middle Classes", in W. H. Fraser and I. Mavor, (eds.), op. cit.; and R. J. Morris, "Introduction", in R. J. Morris and W. H. Fraser, (eds.), op. cit., p. 1

Aberdeen subjects is not detailed enough to allow any assessment of how successful they were in their post-bank careers.

Banks operating outside Scotland provided the single most important source of long-term employment for the Aberdeen subjects. The recruitment of Scottish trained staff began with the Scottish invention of joint-stock banking, which quickly attracted admirers and imitators²³. The promoters of English joint-stock banks came in the 1820s to find managers for their new concerns. Similarly in 1825 the Provincial Bank of Ireland was established using staff recruited from Scottish banks who took with them and applied their knowledge of administrative procedures²⁴. This made it possible for the relatively inexperienced, if possessed of sufficient ability and ambition, to rapidly reach senior positions. For instance, George Rae left the North of Scotland Bank aged 22 in 1839 to work in the North and South Wales Bank as its inspector of branches, then became general manager in 1845²⁵. Joint-stock banking subsequently spread throughout the English speaking world and the number of joint-stock banks operating in the pacific region increased from 18 in 1853 to 41 in 1883²⁶. Scots-trained bankers figure prominently amongst the early managers of British multinational banks. For example, R. O. Sawyers completed an apprenticeship in the British Linen Bank, then worked in the Oriental Bank at Calcutta, which he left in 1863 to become the Chief Manager of the National Bank of India, a position shared from 1877 with another

²³ E. J. T. Acaster, "Joint Stock Innovation: Joplin, Gilbert and George Pollard", *The Three Banks Review*, 126, 1980, pp. 40-41; T. Joplin, "Reform of the Banking System", reproduced in B. L. Anderson and P. L. Cottrell (eds) op. cit., pp. 223-237

²⁴ C. W. Munn, "The Emergence of Joint-Stock Banking in the British Isles A Comparative Approach", *Business History*, 30, (1988B), pp. 73-78; P. Ollerenshaw, *Banking in Nineteenth Century Ireland the Belfast Banks 1825-1914*, (Manchester: Manchester University Press, 1987), pp. 17-20

²⁵ W. Crick and J. E. Wadsworth, op. cit., pp. 425-435

²⁶ E. Green, "Export Bankers: The Migration of British Bank Personnel to the Pacific Region, 1850-1914", in O. Checkland, S. Nishimura and N. Tamaki, (eds.), *Pacific Banking, 1859-1959 East Meets West*, (London: Macmillan, 1994), p.76

Scot²⁷. In this way emigration made Scottish banking a model for banking throughout the world.

Once banks were established the demand for Scottish expertise gave way to a demand for Scottish labour as throughout the empire and South America the establishment of new concerns gave way to concentration. Established banks became larger concerns by developing substantial branch networks as in Australasia and the Indian Subcontinent where the total number of bank offices grew from 78 in 1860 to 716 in 1913²⁸. The continued demand for Scots trained staff derived from this and the use of discriminatory employment practices. In general porters, messengers and junior clerks were recruited locally, while managerial and supervisory positions were reserved for white emigrants²⁹. Discrimination rested in part upon the assumed superiority of white staff. In Cuba, for instance "a proportion of the native clerks develop very well and are entrusted with the highest administrative posts", yet still required strict supervision in their work³⁰. More importantly discriminatory employment practices made commercial sense. Racist assumptions belonged to customers as well as banks' whose employment practices were necessarily shaped by these also. Although "natives" accepted lower salaries than emigrants, a minute of the Mercantile Bank of India explained "it might be dangerous and it might affect our business if the impression got abroad that we were indianizing the Bank"³¹. It was in the interest of a bank to maintain its policy of racial discrimination because, as Jones notes "British staff were proof that these were *British* banks, safe and honest institutions"³².

²⁷ G. Tyson, *100 Years of Banking in Asia and Africa, A History of National and Grindlays Bank Ltd.*, (London: national and Grindlays banks, 1963), p. 21

²⁸ E. Green, (1994), op. cit., p. 79; and G. Jones, op. cit., p. 74

²⁹ For an illuminating account of how the business of colonial banking was conducted with indigenous populations see C. U. Uche "Foreign banks, Africans, and credit in colonial Nigeria, c. 1890 - 1912", *Economic History Review*, LII, (1999), pp. 669 - 691

³⁰ *Scottish Bankers Magazine*, 1920, pp. 254-256

³¹ Quoted in *ibid.*, p. 220

³² G. Jones, op. cit., 218-222

The demand for labour from North America was less focused and derived from the rate of economic development and accompanying growth of economic institutions outstripping the ability of the local population to supply appropriate labour. The rapid growth of the Canadian economy in particular, opened up by the Canadian Pacific Railway in 1886 then driven by a wheat boom in the 1890s, led to record levels of recruitment by Canadian banks. These even began recruiting directly from Scottish schools and in the 1900s eleven Aberdeen Grammar School boys went straight from school into a Canadian bank. Of this eleven, seven entered the Canadian Bank of Commerce, more than all five of the Edinburgh based Scottish banks recruited in the same period and by 1912 it was estimated two-thirds of all bank staff in Canada were Scottish³³.

Therefore, while a high rate of emigration was a constant feature of Scottish bank employment, different locations moved in and out of focus. Once established English banks gradually switched to locally recruited staff. Australian bank staff subsequently erected a barrier against further emigration in the 1860s when they let it be known they were opposed to the recruitment of emigrants to all but the most senior positions³⁴. But, as one destination closed off the worldwide expansion of joint-stock banking saw others open up. This, plus the use of discriminatory employment practices, ensured that there was always a bank somewhere willing to recruit Scots-trained staff. The following section sets out the economics of why staff left Scotland to work overseas then details the factors that facilitated this movement.

(ii) The market for Scottish bank staff

The prospect of greater financial rewards pulled staff abroad. Royal Bank staff were neither obliged nor forced to leave, at least not

³³ *Scottish Bankers Magazine*, 1912, p.36

³⁴ S. J. Butlin, *Australia and New Zealand Bank*, (London: Longmans, 1961), p. 227

until the 1911 edition of the branch rule book stated "it should be clearly understood that the engagement of apprentices terminates at the end of three years' service, and that they have no further claim upon the Bank"³⁵. However, they were not expected to stay either. Rather a proliferation of adverts, journals and contacts encouraged staff to leave by detailing the higher salaries and enhanced promotion prospects available overseas. At the same time a subtle selection process took place; agents and senior officials advised staff on what their likely prospects would be if they stayed in Scotland, nudging some towards the door and others towards remaining with the Bank. An increasing number heeded this advice and emigrated in ever-larger numbers, becoming key participants in an expanding and shifting international market that for much of the Edwardian period favoured labour over employers. So much so that to hold onto staff otherwise intent on using a position in a bank overseas as a stepping stone to other employment (the "Other" category in table 6.2 above includes eleven subjects who left Scotland and worked in banks overseas before beginning their last known occupation), the Bank of Toronto paid its Scottish recruits travel costs plus expenses on the condition they agreed to remain in its service for at least two years³⁶.

Savage notes that from childhood English bank staff were acutely sensitive to their promotion prospects and were placed in a bank by parents who expected them to reach a managerial position³⁷. The sentiment is applicable to Scotland where banking was regarded as an "open career" and no apprentice began "without the possibility of being a manager part of his calculations"³⁸. But it is subject to the qualification that promotion need not occur in a Scottish bank. In this

³⁵ RB 269, Instructions to the agents and accountants of the branches of the Royal Bank of Scotland, p.3

³⁶ IOB letter bk. 5 letter dated 22nd Sept. 1911

³⁷ To apply to Scotland (and increasingly England) Savage's claim that the parents of apprentices were happy to place their sons in a bank in the belief that they would eventually earn promotion to a managerial position requires the qualification this need not necessarily take place in the bank they originally entered. M. Savage, (1993), p. 205

respect the optimistic account of promotion given in the previous chapter is deceptive. Although the probability of being promoted improved, this required the initial clear out of recruits before it became realistic. More relevant here is the slow down in the rate of promotion, which left staff having to wait longer before reaching their goal and in the meantime encouraged them to look elsewhere for advancement.

Pay was the other aspect of employment that influenced the decision to emigrate. Compared to their counterparts elsewhere (with the notable exception of Ireland) Scottish bank staff were poorly paid. Chapter 4 described how in the 1850s the Cashier and board of Royal Bank accepted that junior salaries were low enough to encourage staff to seek employment elsewhere. Thereafter, Scottish banking as a whole self-consciously acquired a reputation for low salaries. In an 1880 speech the Bank of Scotland Treasurer earned the laughter of his audience when he explained "it was difficult to see how labour could be cheapened except by the employment of women"³⁹. Little changed and decades later the General Manager of Midland Bank on a visit to Scotland in 1920 expressed his amazement at what bank staff were paid, warning that unless salaries were increased staff would flock to join the then recently formed bank trade union⁴⁰. Such comments were well justified. In the 1900s after fifteen to twenty years Royal Bank staff earned approximately £120 p.a. (see table 5.4 above), £15 to £20 less than their English bank counterparts⁴¹. Salaries were even higher further afield. In 1911 the Bank of Toronto offered those aged between 18 and 25 a £120 starting salary, a £20 annual increment and various living allowances worth up to £60 a year, while the Bank of British North America went one better offering recruits £140 plus allowances⁴².

³⁸ *Scottish Banking and Insurance Magazine*, 1886, p. 239

³⁹ *Scottish Banking and Insurance Magazine*, 1880, p. 42.

⁴⁰ The comments of the Midland Bank general manager are detailed in Lab 2/646/5, 7th Jun. 1920. See also the article on bank employment in the *Glasgow Herald*, 11th Aug. 1914

⁴¹ For a brief survey of salaries in English banking c.1880-1906 see M. Savage, op. cit.

⁴² *Scottish Bankers Magazine*, 1913, p. 197 and IOB letter Bk. 5, letter dated 22nd Sep. 1911

South African bank salaries were higher still beginning at £200, while banks operating in the Far East paid £300 to £3,000 p.a.⁴³.

In what became an ever more sophisticated international market for bank labour, activities associated with the Institute of Bankers in Scotland firmly connected low pay and limited prospects in Scotland with emigration in the minds of managers and men. Successive Secretaries of the Institute claimed that the professional qualifications it awarded were an aid in seeking posts overseas⁴⁴. For some this was undoubtedly true, but as we shall see in the next chapter, until the 1890s the Institute attracted few candidates and most of these were mature men more concerned with furthering their careers in Scotland than overseas. Moreover, the importance banks, which operating elsewhere attached to professional qualifications varied. In the British multinational banks more weight tended to be placed on character than exam results, and if anything managers were suspicious of applicants willing to spend their spare time studying⁴⁵. Rather, the Institute's primary contribution to emigration was the publicity it gave to the benefits of careers outside Scotland and the abundant information it provided. The general managers who served as presidents of the Institute used the (published) speeches they gave at its annual general meetings to depict Scottish banking as a training ground for banks all over the world and encouraged the ambitious and the adventurous (if frustrated at their prospects in Scotland) to look elsewhere for advancement⁴⁶. Those candidates who took the Institute's exams answered questions designed "to bring out the general knowledge of candidates as to banking beyond the kingdom"⁴⁷. Helping them revise was an accumulation of adverts, atlases and books received on banking

⁴³ *Scottish Bankers Magazine*, 1914, pp. 256-257 and 1915, pp. 187-191

⁴⁴ A. W. Kerr (1926), p. 245

⁴⁵ G. Jones, *op. cit.*, p. 171

⁴⁶ The earliest example of this in a Presidential address is the speech by J. S. Fleming subsequently published as *Scottish Banking a historical sketch*, (Edinburgh 1877). See also the presidential speeches recorded in the 1885, 1889, 1893, 1894, 1895, 1897, 1899 and 1900 Annual Reports of the Institute of Bankers in Scotland

and life overseas laid out on the table of the Institute's Edinburgh rooms and circulated throughout its regional libraries. Finally, from 1909 the Institute began publishing the *Scottish Bankers' Magazine*, which supplemented this information with regular articles on the banking systems of different countries⁴⁸. Each made clear whether British staff were used or wanted and, if so, gave additional information on living conditions and career prospects.

At a remove from the Institute senior officials played a quietly active role in the mechanics of emigration. Customers and foreign banks in search of staff often approached the banks. On these occasions the general managers sounded out possible recruits - staff described by the Royal Bank London manager between the wars as "average good men"⁴⁹. No great loss to Scottish banking, they were unlikely to cause embarrassment either as senior officials used this action to sustain and improve links with important customers. Ideally the staff selected already held senior clerical positions, but, judged incapable of anything more responsible, were unlikely to progress further. In this way customers gained experienced staff who, attracted by the higher salaries and enhanced promotion prospects on offer, left behind promoted posts to be filled by younger, cheaper clerks.

Within a system where movement between banks was ultimately decided by the written opinions of general managers and senior officials, staff used their own initiative and resources to find other employment. Beneath the general managers lay a shifting pool of senior officials known to know about other banks. Staff seeking advice on how to gain a position in banks overseas regularly approached such individuals who included a Union Bank Superintendent of Branches

⁴⁷ IOB letter bk. 4, letter dated 9th Jul. 1902

⁴⁸ See for example the articles on banking in South Africa, Canada, Tasmania, the West Indies, Egypt and Argentina published in *Scottish Bankers Magazine* between 1909 and 1912

⁴⁹ IOB letter bk. 4, letter dated 24th Nov. 1902 and RB 94/5, letter no. 6763 dated 1st Feb. 1929

who had a reputation as being an expert on South Africa⁵⁰. The 'friends and relatives effect' was also significant. In formal terms this involved previous migrants from the origin region in the destination region facilitating emigration by lowering travel and accommodation costs, providing information on employment opportunities, smoothing the process of adjustment and generally reducing uncertainty⁵¹. Hence, on learning that one of his favourite clerks was leaving for Canada a Royal Bank agent gave him a letter of introduction to a Canadian Minister and encouraged him to attend church by explaining there was "no better way of making friends, as well as a way of making yourself useful"⁵². The agent introduced the clerk to a ready-made infrastructure of familiar institutions including Burns clubs and St Andrews' Societies as well as religious institutions ready to receive new arrivals and ease their transition to a new culture.

The international market for bank staff gradually acquired more bureaucratic features in keeping with developments in the wider British labour market in order to accommodate the growing volume of emigration⁵³. Helping staff decide in the 1900s was a constant stream of advice and information published in banking magazines on how to gain a position in a bank overseas alongside adverts placed by foreign banks for staff wanted. The Secretary of the Institute became a recruiting agent for the Bank of Toronto after being regularly asked for advice by clerks seeking a position overseas. In competition with other recruiting agents the Secretary advertised for staff, distributed information on Canadian working conditions, gathered references and co-ordinated the travel arrangements of successful applicants⁵⁴. The London Institute of

⁵⁰ IOB letter bk. no. 4, letter dated 5th Nov. 1901

⁵¹ G. R. Boyer and T. J. Hatton, "Migration and labour market integration in late nineteenth-century England and Wales", *Economic History Review*, L, (1997), pp. 697-734

⁵² B561/3/9, letter dated 24th Mar. 1913

⁵³ For a recent discussion of changes in the labour market and labour market behaviour in Edwardian Britain see D. Vincent, "Mobility, bureaucracy and careers in early-twentieth-century Britain", in A. Miles and D. Vincent, (eds.), *op. cit.*

⁵⁴ For example during a few weeks in 1913 the Secretary sent 16 youths out to Canada. IOB letter bk. 6, letter dated 23rd Jul. 1913

Bankers avoided such direct involvement, but published a guide on how to gain a position in banking overseas, reflecting the apparent spread of the "Scottish" approach to staffing to England⁵⁵. Green identifies large contingents of bank staff leaving London, Liverpool and Manchester to work overseas in the late-Victorian era, and has shown that of the 673 staff who entered the London based City Bank from 1855 to 1898, 252 resigned before they retired of which 77 (31 per cent) found employment in banks overseas⁵⁶. English emigration made for a more competitive labour market and in a move that made his staff more appealing to other employers, the Chairman of the Midland Bank introduced language courses and exams in 1907⁵⁷. When these proved too popular - 200 staff applied for the 80 available places in 1911 - the chairman persuaded the London Institute of Bankers to introduce special language courses⁵⁸.

No Scottish bank so overtly equipped its staff to leave, but they had less reason to do so. Scotland had already established a reputation for providing good staff: it was the birthplace of joint-stock banking; the Institute of Bankers in Scotland was the first permanent professional association of bankers in the world; and the broad training, which apprentices received was widely respected. The retention of the note issue also made Scottish staff uniquely appealing to other note issuing banks, particularly in South America⁵⁹. Although the Scottish Institute did offer papers in French and German, this was more a status-driven desire to provide a liberal education than a means of facilitating emigration. Thus, when offered funds by a South American bank hoping to encourage interest in Portuguese by establishing an annual

⁵⁵ *Scottish Bankers Magazine*, 1914, pp. 256-257

⁵⁶ E. Green, (1994), pp. 80-81 and (1979), pp. 79-80

⁵⁷ E. Green, (1979), pp. 89-90

⁵⁸ *ibid.*, p.93

⁵⁹ D. Joslin, *A Century of Banking in Latin America*, (Oxford: Oxford University Press, 1963), pp. 22-23.

Portuguese essay competition, the Secretary of the Institute politely refused what he regarded as an unwanted and unsightly precedent⁶⁰.

6.3 The consciousness of empire and emigration

(i) The personal

This section moves from discussing the economics and mechanics of emigration to consider the cultural consequences of emigration and empire and its significant presence in the emotional lives of Scots. The importance of empire registered widely in Scotland, perhaps most of all in Glasgow where the sculpting of Queen Victoria surrounded by figures representing the countries that made up the empire above the entrance to the city chambers symbolised the importance of the city's imperial interests. Empire provided Scotland's export oriented staple industries with raw materials and customers and furnished investors with a growing range of profitable opportunities. Scottish capitalists invented investment trusts in 1873 to facilitate investment overseas and during the Edwardian period invested more per head than any other part of Britain⁶¹. Scottish companies also shared in the governance of the empire's economic life, for instance, the Glasgow merchant house James Findlay and Co. added regular directorships of the National Bank of India to its already substantial foreign interests in 1895⁶². Emigration flowed through these links. While grand symbols articulated the public consciousness of empire, emigration lent it an acutely personal dimension, sufficient to render abstract events recorded in share prices, company accounts and newspapers, knowable as subjects of intimate and immediate concern to a wider audience than merchants, manufacturers, investors and politicians.

⁶⁰ IOB letter bk. no. 7, letter dated 19th Oct. 1920

⁶¹ For discussions of Scottish and British overseas trade and investment see G. Jackson and C. W. Munn, "Trade, Commerce and Finance", in W. H. Fraser and I. Mavor, (eds.), *op. cit.*; C. Schmitz "The nature and dimensions of Scottish foreign investment, 1860-1914, *Business History*, 39, (1997), pp. 42-68; and M. Edelstein, "Foreign investment and accumulation, 1860-1914", in R. Floud and D. McCloskey, (eds.), *op. cit.*

⁶² G. Tyson, *op. cit.*, p. 101

Empire formed a recurring element in the culture of bank work as emigration achieved the status of a near daily routine. To the members of the Scottish Bankers Literary and Debating Society in the 1860s and 1870s the annexation by Great Britain of barbarous territories, Chinese emigration to the colonies and British foreign policy in general, were subjects worthy of debate on a par with banking, political and cultural topics⁶³. Once the Institute was established in 1875 the debating society faded away leaving a void, which Royal Bank staff filled in 1895 with the *Royal Bank Magazine*. Less didactic than the debating society the magazine partially overcame the anonymity of working in a substantial and geographically dispersed organisation by listing the movement of staff within and from the bank, allowing the movement of friends and colleagues to be charted. One contributor discussed what he described as an exodus of apprentices to the colonies, while another noted "there would seem to be some strong fascination in Allahabad, India for Haddington Royal bank people"⁶⁴. The magazine appropriately ceased publication when its editor left to work in the Bank of Africa at Capetown. Witnessing such departures joined poor health, marriage, and the death of relatives as predictable and acceptable reasons for time off work. This same routine was periodically interrupted by visits from "old R.B. friends in furrin parts" including David Paterson who left the Glasgow Duke Street branch to manage a Queensland National Bank branch at Thargomindah in the 1890s, then returned to Scotland on home leave in 1895 to visit his former colleagues⁶⁵. That emigration was intrinsic to the psyche of staff is indicated by an eyewitness account of a Scottish accountant's office in the 1900s, another occupation that exported a substantial number of its practitioners⁶⁶. Instead of golf, girls and football the conversation of trainee accountants was dominated by discussions of which foreign

⁶³ IOB 4/3/4, Scottish Bankers Literary Association Minute Book

⁶⁴ RB 147, *Royal Bank Magazine*, 1895, p.5 and p. 31

⁶⁵ *ibid.*, p. 3 and p. 99

destination offered the best career prospects. The questions asked concerned when to emigrate and where to, not whether to emigrate at all.

This consciousness of emigration, readily understandable given its routine importance to bank employment as well as the personal links it created, adds an intimate dimension that modifies Price's predominantly structural account of clerks and the politics of jingoism⁶⁷. We can explore this using the correspondence of William Baird, Clydesdale Bank Agent and Secretary of the Institute of Bankers in Scotland from 1897 to 1917. Baird does not necessarily deserve the pejorative title jingo, although the letter he wrote to a South African correspondent expressing personal concerns for the health of *his* beloved Queen exemplifies an apparent adherence to the presumed beliefs and values of his social superiors in keeping with Price's findings⁶⁸. Another letter discussing the Boers is more revealing: "They will I hope soon realise the benefits of a wholesome British authority and learn submission"⁶⁹. Elsewhere Baird described Scottish emigrants as "leading in the van of civilisation". Price describes such assertions of national supremacy as an irrational response to economic, social and cultural attacks upon clerical claims to respectability⁷⁰. Yet Baird was also the father of a then recent emigrant to South Africa, which he regarded as a dangerous place to work, while another of his sons lived in Canada⁷¹. Acknowledging such parental responsibilities and associated concerns gently subverts Price's account of jingoism. Support for the empire may have allowed a sense of 'belonging' to a code of elite values emphasising selfless duty, sacrifice and individual achievement. But, it was also a means of preserving a system that

⁶⁶ S. Walker, *op. cit.*, pp. 47-48

⁶⁷ R. Price, "Society, Status and Jingoism: The Social Roots of Lower Middle Class Patriotism, 1870-1900", in G. Crossick (ed.)

⁶⁸ IOB letter book 4, letter dated 22nd Jan. 1901

⁶⁹ *ibid.*, letters dated 8th Jun. 1901 and 14th Feb. 1903

⁷⁰ On clerical/lower middle class concerns over respectability see also A. Mayer, *op. cit.*

⁷¹ IOB letter book 4, letters dated 24th Nov. 1902 and 14th Feb. 1903

seemingly allowed these to flourish and an attempt at defending the tangible interests, even lives of friends and family gone overseas as well as the prospects of those yet to leave.

Between youthful ambition and parental concerns emigration made possible other, imaginary lives. A Royal Bank agent in Edinburgh was an avid traveller and eager participant in the nineteenth century commercialisation of foreign travel, using his allotted time off to holiday in Europe and North America every few years⁷². The correspondence he maintained with former clerks working overseas provided a pleasantly distracting opportunity to reminisce about his own travels⁷³. For others this emotional engagement assumed a more structured form, becoming what Vincent describes in a discussion of the 1902 Education Act as shadow careers⁷⁴. The 1902 Act gave unsettling glimpses of alternative lives exemplified by the miner who as a youth wanted to attend university then enter the church until financial constraints intervened. These ambitions became youthful frustrations carried into and vividly remembered in old age. Emigration similarly provoked shadow careers. Here is how Robert Service described his resignation from a Glasgow branch of the Commercial Bank of Scotland:

"I entered the Manager's room with meek serenity. "I want to give in my resignation." He looked at me in amazement - "Resign! What are you going to do?" "I'm going cattle ranching in Canada." Further amazement then "Well, I suppose you know your own business best." I wondered if I did. Suddenly it was borne on me that I was doing something incredibly foolish, but it was too late to draw back. I then thought of my fellow-clerks, their pallor and grey hairs, and all waiting for their pension. When they gained it they would be ready to die. They often did poor souls. I said "I want to live an open-air life." "Humph," he replied "I suppose you know the bank

⁷² On the commercialisation of holiday making in the nineteenth century see F. M. L. Thompson, *op. cit.*, pp. 260-263; See for example B561/3/9, letter dated 12th Jul. 1902.

⁷³ See for example B561/3/9, letter dated 5th Feb. 1903

⁷⁴ D. Vincent, *op. cit.*, pp. 223-224

offers you a safe and permanent position. You may even rise to be a Manager like myself. I also suppose you know that if you serve another forty years you may retire on a pension." "I quite appreciate that I said " but I want a free life. I've always been interested in horses and cattle." He stared out of the window - after a little he turned to me, "Well you know best. I only wish I had your years, then by Goad, my lad, I'd go along wi'ye."⁷⁵

Setting aside the author's desire to establish the uniqueness of his actions, it is the regretful tone of the manager's (agent's) final response that is significant, the wistful awareness of what might have been implicitly contrasted with the drab grayness of what he had become.

(ii) Scottish society, emigration and the empire

The contested history of the Highland Clearances provides ample evidence of how emigration has provoked critiques of Scottish society ranging from the pointedly political to a simmering resentment towards landowners and the Scottish aristocracy⁷⁶. By contrast the celebration of the Scot abroad offered a psychological palliative and lent a certain glamour and pride to a mass process of emotional dislocation and social disruption. The cultural imaginaries of emigration and empire in Edwardian Scotland connect this personal experience to public understanding. By cultural imaginaries I mean the networks of inter-linked themes, images and discourses that provide ways of seeing and making sense of the social⁷⁷. The imaginary imbued social relations with meaning independently of any particular individual. Those of emigration and empire; the combination of celebration and consolation, presented, for example, in virtually every speech given at the AGMs of the Institute of Bankers' in Scotland, on closer inspection proves to be

⁷⁵ Quoted in R. N. Forbes, "The Poetry of Banking", *The Three Banks Review*, December 1974, no. 124

⁷⁶ For critical accounts of the Scottish clearances and emigration see A. MacKenzie, *The History of the Highland Clearances*, (1883); N. MacLeod, *Gloomy Memories in the Highlands of Scotland*, (1892?); and T. Johnston, *History of the Working Classes in Scotland*, (1922)

⁷⁷ For a discussion of cultural imaginaries see G. Dawson, *Soldier Heroes British Adventure, Empire and the Imagining of Masculinities*, (London: Routledge, 1994), pp. 48-52; and P.

open to other critical meanings. This section examines how in contrast with other cultures, particularly the North American, the cultural imaginaries of empire and emigration supported perceptions of Scotland as an unequal society. The particular social origins of those who espoused this gave it much of its force, and I suggest, provide a basis for constructing a distinctively Scottish understanding of empire and emigration,

Canada possessed a uniquely important place in the Scottish imagination. The Canada the correspondents of the *Scottish Bankers Magazine* described was an elemental land where it was possible to lead a good outdoors life with high salaries the reward for work as hard as the winters⁷⁸. The rawness of Canada had an obvious appeal to youths stuck behind the heavy counters of a Scottish bank and was closely associated with "the new". By 1909 correspondents were describing how Canadian banks possessed lady typists, adding machines, desk telephones and filing cabinets, labour saving novelties rarely seen in Scotland. New technology supported practices then considered inappropriate in Scotland including advertising and savings accounts. This greater receptivity to innovation stopped, then reversed the flow of information and expertise between Scotland and North America and between the wars Scottish bankers travelled to the United States in search of new ideas.

Thus the distinction between the old country and the new gradually acquired other less sentimental meanings with the old increasingly understood to mean no more than that. More critically the Canada of the Scottish imagination lacked the traditional inequalities as well as the traditions of the old country. A point regularly made was that in Canada promotion was a reward given to the able and the

Joyce, *Democratic subjects The self and the social in nineteenth-century England*, (Cambridge: Cambridge University Press, 1994), pp. 4-6

⁷⁸ On banking in Canada see articles published in the *Scottish Bankers Magazine* 1910, p. 99, 1912, p. 4, 1920, p. 130, 1933, p. 277 and 1935, p. 194

hardworking⁷⁹. By implication these attributes were an insufficient guarantee of success in Scotland, while if the United States - the most common destination for Scottish emigrants - was a land of boundless opportunity, what was Scotland?

In banking one answer was provided by the constant criticism of nepotism, patronage and favouritism understood as "influence". Whereas the sceptical merely emphasised the importance of luck in getting on, Andrew Kerr - described by friends as possessing a deeply felt abhorrence of wire-pulling - sustained a wide ranging critique of influence in all its forms⁸⁰. Using the lectures, textbooks and articles he produced for the Institute of Bankers in Scotland and public consumption Kerr detailed the varieties of influence and its insidious effects upon staff morale and the business of banking⁸¹. In these he linked the limitations of Scottish bank employment to emigration:

"the Scottish field is but a poor training school. No doubt successful bankers from all quarters of the habitable (and uninhabitable) globe hail from Scotland. But it was as clerks they left their native land; they learned to be bankers elsewhere. The Scottish banks are good nurseries of the raw material; but they do not manufacture bankers in any considerable quantity."⁸²

Others joined in the critique, linking inequality in banking to broader social patterns. One magazine article declared that in banking:

"it is sufficient to point out that hereditary managerships, pocket secretaryships, and other family preserves, are as carefully cultivated as any nobleman's shootings in Arran or the neighbouring isles"⁸³.

Then in 1904, the anonymous Moneta scandalised Edinburgh's bankers by describing how a general manager of the National Bank earned his

⁷⁹ For an early example of this see the article reproduced in the *North British Economist*, 1891, p. 253 which explicitly linked Canada to promotion on the basis of merit.

⁸⁰ *Scottish Bankers Magazine* 1935, pp. 309-311,

⁸¹ See his various essays on banking, published as A. W. Kerr, (ed.) *Scottish Banking During the Period of Published Accounts 1865-1896*, (London: A. and C. Black Ltd., 1898),

⁸² A. W. Kerr, "Arrangements and Functions", in A. W. Kerr, (ed.), *op. cit.*, p. 127

position using social graces to win the favour of the Treasurer of Bank of Scotland and his National Bank director brother: "he always dressed in the pink of fashion. ... He went along the line of least resistance He was courtly and deferential: he knew whom to cultivate and whom to avoid"⁸⁴. By discussing this gossip in public Moneta ensured that all staff knew at least one prominent banker whose success could be considered due more to who than what he knew. Moneta and others ensured the critique of influence became part of how staff understood their position and prospects.

However, social inequality affords too narrow a perspective. Imagining barbarous countries was also a means of vicariously living the imperial ideal of a vigorous, virile and independently achieving masculinity. After the success achieved by the American James Cooper's *The Last of the Mohicans*, more literary accounts of frontier life were swamped during the tremendous commercial expansion of the 1880s and 1890s by adventure stories for which the wild west and the empire were recurring locations⁸⁵. Cowboys and Indians and millions of toy soldiers modelled on imperial regiments marched into the public imagination, heightening the cultural presence of empire and the Americas in Britain. This mass produced culture shared as it shaped the imperial masculine ideal, yet remained susceptible to other meanings. What some projected as imperial-testing grounds provided imaginary playgrounds for Scotland's youth where the masculine was present to be sure, but subordinate to the adolescent pursuit of pleasure. In this context the autobiography of Robert Service, his actions and the manager's response (see above), is evidence of a vague dissatisfaction with prevailing social conventions and conditions with emigration serving as a means of accessing more adventurous ways of living than

⁸³ *Scottish Banking and Insurance Magazine*, 1881, p. 232. See also the letter sent to the *North British Economist*, no. 105, 1887, which emphasised how favour not merit was a key factor in promotion decisions.

⁸⁴ Moneta, *Scottish Banks and Bankers*, (Edinburgh, 1904), pp. 41-42

⁸⁵ *ibid.*, p. 42

were possible in Scotland. This is evident in the popular novels of Wilkie Collins, wherein imagined other countries were linked to moral attacks on prevailing social norms⁸⁶. In *The New Magdalene* (1873) a former prostitute unable to put her past behind her after marrying a clergyman due to social prejudice, finally leaves to start a new life in Canada. Similarly, *Fallen Leaves* (1879) uses a utopian community in the United States - based on the New England Onedia communities - as another setting in which to question Victorian morality. Thus, the cultural imaginaries of North America and empire sustained ideals of personal freedom thought unobtainable in Britain.

However, both the celebration and critique of empire necessitated a certain selectivity about the character of emigrants and their motives. Emigration and empire were also means of disposing of the incapable, the criminal and, in an era of tuberculosis, the unhealthy advised to move to warmer climes for the sake of their weak chests⁸⁷. These were all long-standing and recurring factors in banking, for instance, George Kinnear resurfaced in Australia as the Sydney manager of the Australia and New Zealand Bank after the Edinburgh private bank Kinnear, Smith and Co. failed in 1834⁸⁸. On a smaller scale a Royal Bank agent at Monifeith later arranged a £500 overdraft to assist a long-standing customer whose daughter was forced to emigrate to Australia after her bank clerk husband was caught stealing £13⁸⁹. The language used to describe such incidents; the son-in-law did not steal he misappropriated, constructed a polite silence around enforced emigrations, as did the practice of asking staff to resign to avoid the ignominy of dismissal. There were exceptions to be sure. Scottish accountancy journals depicted emigration as an option for the second rate and Walker has shown before 1910 that those who fared poorly in

⁸⁶ A. Gasson, *Wilkie Collins An Illustrated Guide*, (Oxford: Oxford University Press, 1998), pp. 59-60

⁸⁷ J. Harris, op. cit., p.5

⁸⁸ S. J. Butlin, *Australia and New Zealand Bank*, (London: Longmans, 1961); p.30;
S. G. Checkland, op. cit., p.350

their exams or lacked capital or connections were the most likely members of the Edinburgh accountants' association to emigrate⁹⁰. But in general competing accounts of emigration were left free to account for the absence of the unproductive and undesirable in ways compatible with their own logic, whether this entailed celebration or critique.

The shared trajectories of the Scottish and English institutions that promulgated positive notions of empire questions the salience of any national distinctions. For instance, the Scottish Boys Brigade, although closely linked to the Church of Scotland, shared in the Boy Scouts' militaristic fascination with empire. But when the *National Review* in 1907 described emigration as tarnished due to its association with transportation and empire as a dumping ground for public school wastrels, the cultural references used were less keenly felt in Scotland than in England⁹¹. However, these distinctions had already begun to give way towards the end of the nineteenth century in favour of a British wide celebration underpinned by the growth in the volume of emigration. The latter was due in part to other employers adopting an approach to employment comparable to that of the Scottish banks' for what we can assume were similar reasons. Thus, from the 1890s the growing numbers of Aberdeen Grammar School pupils who entered insurance pursued migratory careers indistinguishable from their banking peers. At the same time the professional and social status of emigrants also improved. Entrants to the Edinburgh accountancy association from 1910 to 1914 who subsequently emigrated were as likely to have passed their exams as they were to have failed and by the 1920s emigration was regarded as an option only the most able should consider. As this transition took place empire attained a prominent position in public life with Queen Victoria's diamond jubilee in 1897 a notable turning point at a time when the monarchy itself achieved a

⁸⁹ B555/6/1, letters dated 7th & 11th Aug. 1914

⁹⁰ S. Walker, *op. cit.*, pp. 45-48

⁹¹ Quoted in S. Walker, *op. cit.*, p. 45

grand and popular appeal⁹². The jubilee was an imperial occasion for an imperial queen attended by colonial premiers and troops, a spectacle that prompted the political commentator Henry Norman to write

"We are imperialists first, and Liberals or Tories afterwards. I said this, for my own part, years ago, when the sentiment was not quite so popular"⁹³.

Imperial service became a British ideal and the (male) youth of Britain were advised "Greater Britain beyond the seas needs a share of the best of our sons and offers them vast and splendid opportunities"⁹⁴. As confirmation of the respectability empire achieved, in Joseph Conrad it acquired a literary critic whose short stories transformed the civilising mission into a grotesque pursuit of profit⁹⁵.

Empire became a national event. In England the particular association between a social elite, empire and emigration achieved near hegemonic status. Agencies such as the Public School Emigration League were expressly formed to raise the status of emigration and help change emigrants from public school wastrels to public school heroes. This and the export of the public school ethos complete with rugby and cricket produced cultural affinities between England and the empire less resonant in Scotland because the public schools themselves were less significant⁹⁶. This is not to say Scotland was entirely unaffected. As well as the modest number of Scottish schools established along public school lines, the English public schools formed a national system and drew pupils from all over Britain⁹⁷. Yet it is possible to write a social history of Scottish education without

⁹² D. Cannadine, "The Context Performance and Meaning of Ritual: The British Monarchy and the 'Invention of Tradition', c. 1820-1977", in E. J. Hobsbawm and T. Ranger, (eds.), *The Invention of Tradition*, (Cambridge: Cambridge University Press, 1983)

⁹³ Quoted in the introduction to J. Conrad, *Heart of Darkness and Other Tales*, edited with an introduction by C. Watts, (Oxford: Oxford University Press, 1990), p. viii

⁹⁴ G. H. Williams, op. cit., p. 193

⁹⁵ For example "An outpost of progress" first published in *Cosmopolis* in June and July 1897

⁹⁶ J. Nauright, "Colonial Manhood and Imperial Race Virility: British Responses to Post-Boer War Colonial Rugby Tours", in J. Nauright and T. J. L. Chandler, (eds.), *Making Men Rugby and Masculine Identity*, (London: Frank Cass, 1996)

⁹⁷ E. Royle, *Modern Britain A Social History 1750- 1985*, (London: Edward Arnold, 1987), p.361

mentioning these elite institutions at all, something unthinkable for Britain as a whole, indicating sufficient space was left for other groups to shape the meaning of emigration and empire⁹⁸.

It is here that we can identify a distinctively Scottish consciousness of emigration and empire. McCrone identifies the social strata of skilled artisans and lower middle class as the main makers and sustainers of myths of 'Scottishness'⁹⁹. But, I have argued above that the meaning of emigration examined here; the "getting on by getting out" McCrone suggests substantiated a belief in Scottish egalitarianism, possessed distinctively critical features. Scots may have perceived themselves as egalitarian, but the Scotland many left behind was regarded as a cold, conservative place, where influence rather than ability was the key to success.

The social difference between Scots and English emigrants subsequently became apparent in the rarefied atmosphere of multinational banking¹⁰⁰. Drawing on his experience of working in the Hong Kong and Shanghai Bank before the First World War P. G. Wodehouse described in *Psmith in the City* how:

"Most of the men in the bank, with the exception of certain hard-headed Scotch youths drafted in from other establishments in the City, were old public school men"¹⁰¹.

In this dichotomy of public school or Scotch, the exoticness of being Scottish politely masked lesser social origins. The behaviour of the archetypal 'Scotch' was also distinctive. Hard headedness, or what another eyewitness described as toughness, signals an obvious vigour in contrast with the effortless superiority public schools produced¹⁰². Another facet of the Scottish self-image was a tendency to retain a

⁹⁸ See for example H. Corr, op. cit.

⁹⁹ D. McCrone, *Understanding Scotland: The Sociology of a Stateless Nation*, (Edinburgh: Edinburgh University Press, 1992), pp. 118-120

¹⁰⁰ G. Jones, op. cit., pp. 170-172

¹⁰¹ Quoted in C. Cook, "The Hong Kong and Shanghai Banking Corporation on Lombard Street", in F. H. King, (ed.), *Eastern Banking Essays in the History of The Hong Kong and Shanghai Banking Corporation*, (London: The Atholone Press, 1983), pp. 199-200

modest silence. Thus, when discussing the promotion of a clerk to a post that involved interviewing foreign bankers the London manager of Royal Bank explained: "like many of our countrymen, is a little diffident when he meets people"¹⁰³. Alternatively diffidence was the response of individuals who found themselves working as equals alongside those they had been brought up to treat with deference.

In the parlance of the public school these traits marked Scottish staff out as players rather than gentlemen. The distinction mattered because the culture of multinational banking was dominated by public school sensibilities¹⁰⁴. Despite frequently reaching the highest levels, Scottish staff remained social interlopers subject to values formed by socially superior others¹⁰⁵. The common response was to conform; to learn, for example, that a black coat and white trousers was suitable evening attire in Bombay whereas a white coat and black trousers should be worn in Calcutta and all points east¹⁰⁶. By playing the part expected of them in team games and office pranks including, for example, the Porridge Trap, which was specifically devised to test Scottish recruits, the successful achieved the status of honorary gentleman who wore tartan instead of old school ties.

Yet regardless of their precise social origins Scottish bank staff pursued social mobility via emigration on terms indistinguishable from their English counterparts. The ruggedness of Canada had a certain charm, but banks operating in India, China, Hong Kong, South Africa and South America proved consistently more appealing and absorbed more émigré bankers than any other single location (see table 6.5 above)¹⁰⁷. Besides higher salaries these destinations catered to a particular form of social opportunism. The *Scottish Bankers Magazine*

¹⁰² C. E. King, "The First Trip East - P&O Via Suez", in F. H. King, op. cit., p. 210

¹⁰³ RB 94/5, letter no. 6733, dated 1st Jan. 1929

¹⁰⁴ C. Cook, op. cit., p. 198

¹⁰⁵ On the social background of English bankers and bank directors see Y. Cassis, (1994)

¹⁰⁶ The etiquette of working in multinational banking is described in C. E. King, op. cit.

correspondent working in India who described how every evening he attended a country club where he met judges, engineers and other professionals for dinner, bridge, tennis and gossip, depicted a social life well beyond what all but the most successful could enjoy in Scotland¹⁰⁸. Tennis and golf were also popular in South Africa whereas polo was the South American game of choice. That bank staff aspired to this style of life is evident in the cynical, yet envious account of an Edinburgh tennis club written by a Royal Bank clerk, which featured a young Edinburgh Advocate who earned £800 a year and proved popular with the lady members¹⁰⁹. Emigration offered to carry this Edinburgh hanger-on to the centre of Hyderabad, Capetown or Hong Kong society. In all these places Scottish clerks joined Orwell's public school educated English lower-upper middle class for whom empire had a particular meaning:

"The people who went there as soldiers and officials did not go there to make money, for a soldier or an official does not make money; they went there because with cheap horses, free shooting, and hordes of black servants, it was so easy to play at being a gentleman"¹¹⁰.

Distinctive concerns with inequality or national virtue gave way before this shared social ambition. Rather, what distinguished the Scot abroad was the greater social distance he hoped to travel and the novelty of the life-style experienced on arrival.

6.4 Conclusion

This chapter began by identifying emigration as a significant factor in late-Victorian and Edwardian Scotland and as being of particular importance to what were loosely described as members of the lower middle class. The example of the Aberdeen Grammar School pupils was then used to establish that the turnover pattern observed at

¹⁰⁷ This preference is exemplified by the clerk who only accepted a position in the Bank of British Columbia after being rejected by the National Bank of India, B561/3/9, letters dated 18th Dec. 1902 and 31st Jan. 1903

¹⁰⁸ *Scottish Bankers Magazine* 1916, pp. 96-102 and 1919, pp. 28

¹⁰⁹ RB 147 *Royal Bank Magazine*, 1895, pp. 105-106

¹¹⁰ G. Orwell, *The Road to Wigan Pier*, (London: Penguin edition, 1989), pp. 113-115

Royal Bank occurred across the sector and that a majority of those who left banking during the course of their careers emigrated from Scotland. The economics of this decision were then considered with Scottish bank staff identified as an important part of an international market that favoured bank labour over employers. This was due to the establishment then growth of banks elsewhere, and the inability and unwillingness to source labour locally. Consequently, a majority of Scottish bank émigrés were pulled overseas by the prospect of higher salaries and enhanced promotion opportunities. In banking at least emigration was more than a response to fluctuations in the Scottish economy, rather it was integral to a system of employment predicated on the assumption that a majority of recruits would leave, which served to reduce staffing costs and benefited those staff who remained via enhanced promotion prospects. This approach to employment appears to have spread to other sectors of the Scottish then British economy.

Emigration and empire became intrinsic to the Scottish psyche. Viewed from the perspective of those it directly affected emigration lent an otherwise national and nationalistic triumph tangible personal meaning. Furthermore, emigration added an emotional investment to the imperial interests of Scottish capital with probable political implications. Along with empire it formed a regular topic of debate and conversation, as well as a distracting daydream.

An examination of the cultural imaginaries by which empire and emigration were known adds a critical element to this account. It demonstrated various ways in which bank staff exercised a capacity for critical and creative thinking about themselves in relation to the structures and conventions of Scottish society as the imagined presence of other countries, particularly North American, made knowledge of alternative social forms readily available. Social inequality understood as influence was particularly important in this respect and subject to regular criticism. There was also a less focused dissatisfaction and bored frustration with social as well as business conventions. Recognising

these critical elements affords a more nuanced account of the public consciousness of emigration and empire, presenting it as something more than merely nationalistic pride. Amongst emigrants themselves, although an adolescent fascination with the new and the different can be noted, there is little sign of a frontier spirit or much sense of imperial duty. Both were perhaps acquired later in life. Until then emigrant bank staff appear to have been primarily motivated by the individualistic pursuit of advancement and social ambition. With hindsight the fact this was often supported by commercially astute racism tempers any self-congratulatory celebration, though this initially distinguished the place of empire in Scottish as opposed to the British or English imagination. However, this distinction soon gave way and an increasing number of Scots overseas joined their English counterparts living a life they knew of but could not afford in Scotland. Accents aside the remaining distinction was the greater social distance Scottish emigrants hoped to travel.

Chapter 7: Status and the professionalisation of banking in Scotland, 1875-1914

7.1 Introduction

The preceding analysis of employment and emigration has revealed that the subjects of this thesis exercised a greater capacity for critical thought than has previously been assumed. The current chapter continues this exploration by examining the role of critique alongside personal ambition in the attempt to professionalise banking in Scotland. It is ostensibly about the Institute of Bankers in Scotland, the first permanent association of its kind in the world and what follows examines its origins, establishment and development. However, it is also about how bank staff saw themselves in relation to others in society. Individual achievement, meritocracy and social identity were key issues in the professionalisation of banking; thus it provides an appropriate means of accessing this history of bank staff and the social. Yet ways of seeing society differ according to the situation at hand, class is of particular importance to those perceptions of the social derived from the experience of work¹. Therefore, class here receives perhaps undue attention. So be it. It is an approach that allows old, yet still influential shibboleths concerning what Lockwood described as the class-consciousness of clerks to be examined².

Status is inextricably bound up with class in existing accounts of clerks and assumes a particular form and significance due to the assumption that clerks were only marginally better off than the highest paid workers, while sharing their dependent proletarian condition. In keeping with this the consciousness (or values) of clerks has subsequently been defined as follows: a commitment to individual endeavour and a belief in promotion on the basis of personal worth

¹ P. Joyce, "A people and a class: industrial workers and the social order in nineteenth-century England", in M. L. Bush, (ed), *op. cit.*, p. 199

² D. Lockwood (1989)

closely linked to the perception of society as being meritocratic³. Status is seen to have driven these beliefs and accompanying forms of behaviour⁴. However, this was status of a peculiar kind. In Perkin's account clerks did not strive to acquire the "social prestige and power over their neighbours that went with property", status as the icing on the cake that drove men to take commercial risks⁵. Rather status was primarily a means of social differentiation. Hence, Perkin describes how clerks "distinguished themselves so obsessively from the working class. They were, literally, trying to get away from them, in income, status, appearance, and physical residence ... Their obsession with status, necessary for their work, often drove them to spend more on dress, rent and children's education than they could afford"⁶. In other words clerks struggled to live a middle class lifestyle on a working class wage.

There is room for scepticism towards this account. Crossick's suggestive depiction of the nineteenth century petite bourgeoisie, another group traditionally regarded as marginal and as being ambiguous in its relations with social superiors and inferiors, indicates there is no reflex connection between marginality, status anxiety and social differentiation⁷. Moreover, the weight attached to status can itself be questioned. The logic of the above argument sees clerks attaching greater weight to status than material well-being and accordingly choosing employment that paid more in status than money. But Chapter 5 argued that in banking at least the economic distinction between clerks and workers was more real than apparent. However, banking is generally regarded as one of the more highly rewarded

³ B. Wailes, op. cit., p. 240

⁴ *ibid.*; see for example F. M. L. Thompson, (1988), p. 260

⁵ H. Perkin, (1989), p.85. As an aside this account of businessmen and their motives requires the qualification that risk-taking, building a business and besting a commercial rival each had their own innate appeal.

⁶ *ibid.* p. 100

⁷ G. Crossick, "The Petite Bourgeoisie in Nineteenth Century Britain", in P. Thane and A. Sutcliffe (ed), *Essays in Social History Volume 2*, (Oxford: Clarendon Press, 1986); G. Crossick and H. Gerhaud Haupt, *The Petite Bourgeoisie in Europe 1700-1914: enterprise, family and Independence*, (London: Routledge, 1998); D. Lockwood (1989), p. 127

forms of clerical employment (although in the absence of comparable studies it is impossible to prove or disprove this)⁸. Even so clerks were typically engaged in recording financial transactions and noted for their saving habits, rendering such behaviour implausibly inconsistent and irrational given the apparent refusal of others to recognise the status claimed. For instance, clerks, commercial travellers, insurance salesman, shop assistants, teachers and other lesser professionals formed a social stratum regularly mocked for wearing a "fur coat and no knickers". Despite this historians have remained largely content to share in what is a criticism of consumption patterns, seemingly oblivious to its puritanical and envious aspects⁹.

In this chapter I argue the desire for material advancement - promotion - was key to the establishment of the Institute, and identify professionalisation as an attempt to transform the operation of bank ILMs. The Institute of Bankers in Scotland was originally envisaged as a device for acting upon the culture of bank work, changing its values by putting in place meritocratic arrangements. Consequently, the subsequent development of the Institute was shaped by an often heated debate about the relationship between qualifications and promotion. The extent that professionalisation affected bank employment is then established. Finally, I consider the clerical mentality, concentrating on how the subjects of this thesis saw themselves and were seen by others. I suggest those who worked as clerks may be comprehended as more self-confident, indeed, more socially disruptive figures than has been assumed, as well as more modest in their aspirations and less concerned with those they regarded as socially inferior, than has been claimed.

⁸ see for example H. M. Boot (1999)

⁹ For a sensitive discussion of the frequently romanticised Puritanism of class analysis and its alienating consequences see Carolyn Steedman, "Stories", in T. Lovell, (ed), *British Feminist Thought A Reader*, (London: Blackwell, 1990)

7.2 The origins of the Institute of Bankers in Scotland

This section argues that the Institute as originally envisaged, was a means of fulfilling career ambitions by transforming the allocation of pay and promotion within bank ILMs. As Johnston has argued professionalisation is about power: a profession is a means of coupling high levels of formal education with highly prized occupational rewards, thereby transforming human capital into material gain¹⁰. Andrew Kerr, founder and first Secretary of the Institute as well as its ideologue and publicist drew upon various cultural currents to legitimise his claims for a banking profession. In an era of capital the professionalisation of banking would increase efficiency and profits: in an era when even democracy was a religion, professionalisation constituted a moral exercise; and in an era attached to notions of scientific progress, banking was cast as another science possessed of theories to be discovered and mastered.

Mid-Victorian Edinburgh provided an atmosphere conducive to the formation of professional associations. By 1874 it was already the professional capital of Scotland having a well-established Faculty of Advocates, a Royal College of Physicians, an accountants' association and Faculty of Actuaries. The form, methods, objectives and, more importantly, achievements of these organisations were an example and inspiration to others at a time throughout Britain when there was a growing appreciation of the dispassionate study of commerce. In Edinburgh itself this saw the appointment of Thomas Hodgson to a newly created chair in Commercial and Political Economy and Mercantile Law at the University of Edinburgh in 1870¹¹.

At the same time the 1872 Scottish Education Act by widening access to education posed a long term threat to the scarcity of literate and numerate labour that had supported clerical incomes during the

¹⁰ T. Johnston, *Professions and Power*, (London: Macmillan, 1972)

first half of the nineteenth century. In light of this the controls over entry, which professional associations strove to put in place offered a means of defending the interests of existing bank staff.

The idea of a professional association was not new to banking or a Scottish invention. In London a Banking Institute and an Incorporation of Bankers were formed in 1851 and 1862 respectively¹². The fortunes of the former remained tied to its main protagonist; his poor health proved fatal to it. Those of the latter suffered from an identity crisis; its supporters remained unsure if it should be a philosophical or a professional society until it eventually collapsed. Neither of these hurdles were present in Scotland where the idea for an Institute emerged from the Scottish Bankers Literary Association (SBLA) established in Edinburgh in 1863 to facilitate the intellectual improvement of bank staff. The Association's annual syllabus of lectures and debates included political, literary and social subjects as well as banking. This would cater to the philosophical needs of staff, leaving Association members to give their collective support to the projected professional association. However, it still remained for key individuals to bring the professional ideal into being.

Professionalisation embodied a distinct set of personal attributes, which the biographies of Charles Gairdner, David Huie and A. W. Kerr reveal were shared by key proponents of the Scottish accounting, insurance and banking professions. Although each began their business careers with the assistance of familial connections, all three were born on the fringes of the occupations they subsequently sought to professionalise. Gairdner came from Ayrshire and trained as an accountant in a Glasgow firm, which his father dealt with. In 1853 he was one of the young accountants who successfully petitioned their seniors to establish a Glasgow Institute of Accountants and Actuaries.

¹¹ The Institute of Bankers in Scotland later formed mutually beneficial links with the department of Economics at Edinburgh University. From 1876 until 1902 economics lectures were held at 5 p.m. to allow bank clerks to attend after work.

Huie, the son of an Edinburgh surgeon, was already a part of Edinburgh's professional elite when he began his business career in insurance in 1848. In his late twenties he became an original associate of the Faculty of Actuaries in Edinburgh, a Fellow in 1863 and eventually a Vice-President of the Actuarial Society of Edinburgh. Of his sideways move into banking it was noted "he had sufficient influence to be nominated to something higher than a mere clerkship in the Royal Bank"¹³. Kerr's path was more straightforward. He followed his father into the Royal Bank head office, then joined the SBLA where he proposed establishing a bankers' institute. That all three were ambitious to varying degrees is apparent in Gairdner's decision to volunteer to become a liquidator of the Western Bank, which in turn brought him to the attention of the Union Bank board. Similarly, Huie successfully campaigned to become Secretary of Royal Bank (see chapter 3). Finally, all three shared an interest in associational life, particularly societies concerned with the furtherance of knowledge. Gairdner established an Adam Smith Club in Glasgow, while Kerr by 1916 was a Fellow of the Scottish Society of Antiquities, Treasurer of the Scottish Natural History Society, a Fellow of the Royal Society of Edinburgh and a founder of the Scottish Society of Economists¹⁴.

The professional associations they helped establish used a common intellectual preoccupation to fashion vehicles intended to transport them to the upper reaches of their chosen professions. All three achieved notable success as practitioners of rational social enquiry. The table Huie compiled to accompany his 1868 paper *Remarks on the Valuation of Widows Funds with Tables to assist the Actuary in such investigations, based on the Experience of the Widows' Funds of the Ministers and Schoolmasters in Scotland* remained in use for decades. Gairdner published numerous papers on banking and economics, while Kerr's

¹² E. Green, (1979), p. xix

¹³ Moneta, op. cit., pp. 16-17; C. W. Munn and N. Tamaki, op. cit.

¹⁴ *Scottish Bankers Magazine*, 1919, no. 29

History of Banking in Scotland first published in 1884, remains a standard work on the subject, and was followed by numerous other books and papers. Integral to professionalisation was a new conception of banking that stemmed from these preoccupations. Kerr challenged established notions of banking as a trade with theories of science and system. Banking as science was knowable in the abstract, its component parts and actions identifiable and amenable to documentation. When combined and set in motion these constituted a discrete economy possessed of principles and logic to be charted using the series of published accounts begun in 1865 of which Kerr was an early student. These representations of banking plus the accompanying bureaucratic paraphernalia; the rule books, ledgers and head office returns, were to be learnt and the aptitude shown by individuals in so doing assessed under the auspices of an Institute that would examine staff and award professional qualifications.

The members of the SBLA broadly matched the profile of professional pioneers given above. In 1877 half the first, second and third class Royal Bank head office clerks were SBLA members, indicating it was primarily an association of serious, young men in their late-twenties to early thirties already marked out as promising material and working in the Edinburgh bank head offices (see discussion of the process and data used to reach this conclusion in appendix 2). The geographical, social and hierarchical distance that featured in Gairdner, Huie and Kerr's early careers was also a factor as the Association was in part formed to give staff transferred to Edinburgh the opportunity to meet like-minded youths from a similar social background¹⁵. That the Association's members were ambitious is evident in the purposeful direction of its activities towards promotion. A letter to attract new members explained:

"by essay writing an exact expression of thought is obtained and by debates a readiness and fluency of speech is promoted - a faculty often difficult to

acquire and frequently of great service ... being n the highest degree useful for business"¹⁶.

It continued by noting that many of those had benefited from this opportunity were "now high in their profession"¹⁷.

The idea for a Scottish Institute emerged from this milieu, beginning with an article Kerr (then Secretary and Treasurer of the SBLA) published in the *Money Market Review* in May 1874 proposing that:

"Some systematic action should be taken for the better training of young bankers by the institution of classes and lectureships with examinations in connection with which certificates should be awarded"¹⁸.

The details of what professionalisation would entail were subsequently developed through an extended critique of existing employment arrangements, which need to be seen in relation to those changes in employment made at Royal Bank (see chapter 4 above) where Kerr then worked.

In his writing Kerr focused on the limitations of those staff involved in assessing merit and the process of assessment itself. The routine assessment of staff was primarily the responsibility of agents, yet agents were rarely chosen for their ability to train or assess staff, or even their ability to manage a branch. It was enough that an agent was popular in his community and able to attract deposits. Thus, even in the nineteen twenties a solicitor asked to become an agent in Crieff was informed "(w)e would of course, appoint an experienced accountant who would relieve you of the technical work"¹⁹. Such inexperience drew Kerr's critical attention²⁰. Then there was the process of assessment, which began with the report compiled when an apprentice had served a

¹⁵ IOB letter bk. 1, letter dated 19th Jan. 1882

¹⁶ Letter dated 29th Nov. 1877 included in SBLA minute book

¹⁷ *ibid.*

¹⁸ Quoted in R. N. Forbes, *The Institute of Bankers in Scotland*, (Edinburgh: Pillans and Wilson, 1975), p.6

¹⁹ RB/61/8, letter dated 11th Sep. 1928

²⁰ A. W. Kerr, "Staff Aspects and the Institute" in A. W. Kerr (ed), p. 147

six month probation, followed by an ongoing series of assessments on which every salary, promotion or transfer decision was based. In the absence of any instructions agents used rules of thumb to assess staff. Surviving reports reveal dedication and demeanour were frequent concerns, as were handwriting, accuracy, manners and appearance with particular attention paid to height²¹. As banking entailed dealing with the public and keeping accounts, these were appropriate measures, yet their relative importance was unclear, while specific concerns competed with vague estimates of overall ability. For instance, the phrase "good clerk" was frequently used, but what at or what for was unclear. The sheer size of the banks compounded these difficulties, indeed it prompted Kerr to sympathise with the general managers: "(n)o one is more liable to be imposed on than the manager of a large establishment. It is utterly impossible that he can know those by whom he is surrounded throughout the extended system, of which he is the centre"²². But this merely served to reinforce their reliance upon agents whose inexperience and ignorance left them incapable of properly attending to the task. Professionalisation would remove such imperfections, allowing those with appropriate experience to substantiate and measure merit.

As described in the previous chapter influence was a more widespread, though less focused grievance, which professionalisation was intended to resolve. Due to its tacit, typically unwritten nature, various forms of influence appear more often as accusation than fact in the historical record. However, the play written by staff about bank work, which included the office favourite amongst its cast of archetypal characters is suggestive²³. As is the apparent grip certain families had on senior positions. Thus, at National Bank in the 1910s the son of a former general manager served as Assistant London manager, the son of a

²¹ RB 484/S

²² A. W. Kerr, "Staff aspects and the Institute", in A. W. Kerr (ed), p. 146

²³ RB 147, *Royal Bank Magazine* 1895, Sep.

former secretary was an inspector and the son of a former Glasgow manager was Bank secretary²⁴. Such coincidences were perhaps the natural outcome of recruiting the relatives of existing staff, however, less ambiguous written attempts were made by customers to bring staff to the attention of senior officials. For instance, in 1911 the Royal Bank Cashier received a letter from "influential quarters in Glasgow" concerning a member of staff who after 20 years remained a clerk in the main Glasgow office²⁵. The salary that the clerk received had only increased by £20 in eight years, an indication his superiors were unimpressed by his abilities. Nevertheless the letter's author regarded this as a result of the clerk having "absolutely no influence with the Directors" and explained "In view of his service and the important work he does, Mr. (clerk) considers that his salary is utterly inadequate"²⁶.

However, Kerr never regarded such iniquitous practices as being the sole preserve of the affluent and the powerful. In what remains a guide to promotion for the unscrupulous he described how "persevering, unwavering toadyism" was probably "the most certain method of all" for achieving promotion. Hypocrisy was another "old and generally admitted method" while the "poor mouth" (to constantly plead poverty) was a "great institution, wonderfully helpful in a life career"²⁷. Kerr also explained "a clique of underlings, by engineering a policy during a series of years, practically monopolise the appointments ... by means of a consistent policy of commendation on the one hand and of detraction on the other"²⁸.

Kerr argued that without professionalisation such practices would continue and business would suffer. In banking "(t)he round pegs are allowed to roll about indiscriminately until they topple into square holes, and the square pegs have their edges jarred by being

²⁴ *Scottish Bankers Magazine*, 1916, no. 28, 1918, no. 36 and 1922, no. 58

²⁵ RB 61/2, letter no. 10582, dated 20th May 1911

²⁶ *ibid.*

²⁷ A. W. Kerr., "Staff Aspects and the Institute", A. W. Kerr (ed), pp. 142-145

²⁸ *ibid.* p. 148

rammed into round holes, adjustment being left to the chapter of accidents"²⁹. This was significant because: "the success of business depends not alone on the few minds and bodies who have the direction of it, but to a large extent on the combined and mutually aiding efforts of all who are engaged in it"³⁰. The imperfections present in banking meant "one establishment is, over a series of years, stationary or retrograding, while its neighbours, or some of them, are expanding in a more or less satisfactory manner"³¹. Instead "Young bankers. From the time of their entrance into the service they should have reason to feel that they are in a current of promotion, from the benefits of which only their own incompetency can exclude them"³². The Institute would foster an esprit de corps that would motivate staff, encourage effort and loyalty and ultimately improve performance and profitability. However, Kerr's was also a moral economy wherein profit and loss were inseparable from right and wrong. Existing arrangements consigned some to a tedium against which they responded using influence, those who did so "debase their minds, expose themselves to continual humiliation, and sacrifice the highest pleasures of life for a reward, which never satisfies them"³³. Thus professionalisation would expose and thereby curtail the immoral to preserve the moral well-being of staff.

Kerr's vision was akin to Weber's ideal bureaucracy wherein officials are appointed to positions in a hierarchy solely on the basis of technical competency and possession of appropriate credentials³⁴. Examination would create a standardised shorthand for measuring individual ability, supportive of the existing distribution of authority (Kerr noted "some must rule over others ... thus the desire for advancement is not only a matter of justifiable self-interest, but is even

²⁹ *ibid.*

³⁰ A. W. Kerr, "Bank Officers", in A. W. Kerr (ed), p. 139

³¹ *ibid.*

³² *ibid.*, p. 138

³³ A. W. Kerr, "Staff Aspects and the Institute", in A. W. Kerr (ed), p. 151

a public duty"³⁵), as it would allow general managers to know their staff directly.

But, the ideal was in conflict with systemic flaws induced by the otherwise successful operation of bank bureaucracies. As individual branch running costs were used to assess the performance of agents it was in their interest to be sparing with their praise to avoid upsetting the ratio of costs to deposits. Furthermore, if a clerk was judged to be of good appearance, well mannered, able and enthusiastic, could he be easily replaced? A good clerk was an asset, for an agent it was tempting not to give a report so favourable that its subject would be promoted elsewhere. Commercial imperatives imposed further constraints. When customers did intervene in support of staff, employment matters became commercial decisions. Thus in Orkney the National Bank was forced to reach a compromise after deciding to appoint a solicitor to its Kirkwall agency to the surprise of the popular full-time agent and the annoyance of customers³⁶. The Bank relented when several important customers threatened to take their business elsewhere; the appointment of the solicitor was rescinded, the agent was made assistant manager at Glasgow and replaced at Kirkwall by his accountant. Accounts of this event circulated freely, becoming part of the folklore of banking. Watching from the sidelines the Royal Bank's Kirkwall agent commented "(n)eedless to say these diplomatic appointments incur the pleasure and favour of Orcadians, which was no doubt one reason among others of their being made"³⁷.

Furthermore, bankmanship, when it involved using recruitment to attract and retain business, induced a perverse capacity to reward incompetence via promotion. Observers noted agents:

"were continually admitting most ineligible specimens of humanity out of

³⁴ R. Bendix, *Max Weber An intellectual portrait*, (London: Methuen, 1959), pp. 423-430

³⁵ *ibid.*, pp. 141-142

³⁶ RB/406/38

³⁷ RB/406/38 letter dated 7th Mar. 1934

deference to fathers whose goodwill they desired to cultivate. Finding very soon the practical disadvantages accruing to themselves from the presence of such insufficient subordinates, they readily adopted the plan of at once relieving themselves of the incubus and propitiating the fond parent by recommending the *protégé* for advancement to the head office"³⁸.

In one instance a young clerk, despite receiving a letter of complaint from a general manager, remained incapable of accurate work³⁹. His agent, plagued by complaints from head office and customers, sought only to confine the youth to duties where his mistakes would be less inconvenient until a transfer was arranged to another branch. Rural branches, where the pace of work was not considered so taxing, joined the back rooms of major offices, where an endless supply of routine work could be found, as dumping grounds for the incompetent, the inaccurate, the infirm and, amongst older members of staff, the alcoholic. This retention of the less able formed an accepted part of banking. It was observed:

"Each bank carries on its staff a considerable number of men who can at best be classed as average, and who will never prove themselves capable of taking positions of responsibility. For these however, the large branches of the bank can always supply plenty of routine work where no more is required than industry and mechanical accuracy"⁴⁰.

Ad-hoc solutions were found to overcome these problems.

Above all general managers relied on their own judgement and experience; an agent's report was only worth having if his opinions were trusted at head office. Consequently, certain locations acquired reputations as training grounds for staff, for instance, Leith, was regarded as the Aldershot of the Clydesdale Bank⁴¹. Professionalisation called this approach into question. More than this its offer to substantiate and regulate employment threatened to restrict the

³⁸ *Scottish Banking and Insurance Magazine*, Sep. 1882, p. 193

³⁹ B 561/4/1, letter dated 1st Mar. 1911; B561/4/2, letter dated 20th Jul. 1911

⁴⁰ W. Leaf, *op. cit.*, p. 239

⁴¹ Moneta, *op. cit.*, p. 136

discretion of senior officials, a tension that was to persist throughout the subsequent history of the Institute.

7.3 Establishing the Institute

Kerr was a practical man as well as a theorist. To establish the profession he and his supporters used successful politicking to advance their claims. In the process the ambitious vision of the SBLA was made over to those already in charge of the banks who then decided the scope and pace of change. Consequently, the development of the Institute was dominated by a debate between the Institute's council, ordinary members and the general managers about the relationship between professional qualifications and promotion. Much of this focused upon the worth of theoretical knowledge as opposed to practical experience. The SBLA had stated "it would not be judicious to establish examinations unconnected with any ulterior end"⁴² and the staff who took an interest in the Institute during the first fifteen years of its existence wanted promotion as a reward for exam success. This was something no general manager would give and a position the executive of the Institute proved unwilling to support. As a result the initial enthusiasm amongst staff for the Institute soon gave way to disinterest. It required the introduction of a cash bonus scheme in 1890 before an eventual majority of new recruits took its professional qualifications. The bonus was an effective compromise that ensured the survival of the Institute, however, the rush to secure it swept aside the disputed links between promotion and professional qualifications as well as Kerr's moral concerns.

The SBLA took up Kerr's idea, establishing a provisional committee to gain support from former members that were described as "now high in the profession", including John Gifford, then Manager of the National Bank. Gifford gave direct access to the General

⁴² SBLA minute book, 14th Dec. 1874

Managers' Committee where he carefully cajoled his peers into proffering at least half-hearted support for the venture and eventually the Institute of Bankers in Scotland was founded in July 1875⁴³. Each of the Edinburgh and Glasgow banks gave the Institute a £100 donation and a £25 annual subscription as well as free use of rooms above the Glasgow clearing house⁴⁴. Equipped with this and an additional £100 to buy books, the Institute furnished libraries and reading rooms in Edinburgh and Glasgow, subscribed to various newspapers and journals and began arranging lectures and classes in support of a curriculum consisting of two qualifications⁴⁵. The Associate's Certificate was designed for apprentices and consisted of ten papers on arithmetic, algebra, geography, English composition, bookkeeping, the note exchange and the clearing house, note circulation, interest and charges, the negotiation of bills of exchange and the history and present position of banking in Scotland. Whereas the Associateship gave an introduction to routine bank work by building upon a secondary education, the Member's Degree was for those intent on pursuing a career in Scottish banking. Its eleven papers were on French or German, British History, the British Constitution, English literature (these 4 papers later became optional), the principles of political economy, the history and principles of banking and currency, the theory and practice of the foreign exchanges, the principles of Scots law and conveyancing, mercantile law, bankruptcy law and the law as it affected bills and cheques. The content of these subjects reveal a desire to attach the status of a liberal education to the banking profession, while ensuring staff were able to interpret economic phenomena from the perspective of a banker. Perhaps more importantly the emphasis on law indicates that the Member's qualification was geared to ensuring staff were well-placed to

⁴³ RB 153 "Letter to the Managers of the Banks in Scotland", 11th Oct. 1875

⁴⁴ IOB minutes 19th Nov. 1875 ; "Abstract of Accounts 1875-76" reproduced in R. N. Forbes, (1975), p. 8

⁴⁵ IOB minute book, 12th Oct. 1875

protect a bank's interests when lending and handling negotiable instruments.

However, support came at a cost. The 94 members of the SBLA did not consider themselves capable of establishing an independent professional association and instead regarded the fate of the Institute to be dependent upon "what the banks are disposed to do in answer to the application"⁴⁶. The response was not in keeping with their original plans. Whereas the SBLA provisional committee had recommended that the Institute should be "representative of the profession as a whole in all its grades over the country" and include "all ranks of the profession", the first Institute council was dominated by senior officials including two general managers, two secretaries, two accountants and two inspectors⁴⁷. The SBLA, having contributed six members to the provisional committee, was refused any formal representation, the sole recognition of its involvement being free use of the Institute's Edinburgh rooms⁴⁸. Apart from this the SBLA could do no more than send recommendations, which the council might choose to consider. Even this ended when the SBLA disbanded in the 1880s⁴⁹. Other than the occasional agent, branch and clerical staff were and remained noticeably absent from the Council and an understanding was soon reached that every bank would have equal representation on the Council with "the higher officials as far as possible to have the preference"⁵⁰.

Thus, to secure the support of the banks the Institute acquired a form that reproduced the existing bank hierarchy. To secure further assistance and funding the Council strategically used its authority to confer membership without examination by inviting agents and senior officials to join as Members at an annual cost of a guinea, while

⁴⁶ SBLA minute book (special general meeting of the SBLA), 15th Jun. 1875; IOB letter bk. 1, letters dated 3rd Sep. & 13th Oct. 1875

⁴⁷ SBLA minutes, 3rd Jun. 1874; R. N. Forbes., (1975), p. 7

⁴⁸ IOB minutes, 21st Aug. and 4th Oct. 1876

⁴⁹ SBLA minutes, 7th and 14th Mar. 1881

subordinate staff who had served at least ten years in a Scottish bank were eligible to join as Associates, a privilege that cost 5 shillings a year. Finally, in keeping with tradition the Council elected the Treasurer of Bank of Scotland as its first President. The Council hoped for more than money from elected Members, conferring Membership without examination was and remained a tactic used to secure support. Specific favours were asked as when the Glasgow Cashier of Royal Bank in his capacity as a council member, was requested "to secure a good attendance of members" for a lecture given by the President of the Institute in Glasgow⁵¹. Later, when an examination centre was being established in Dundee the Council decided:

"Membership of the Institute should be offered to the Agents of the principal bank offices who are already underrepresented in the Institute with a view to securing their services by attaching them to the Institute"⁵².

Numerous elected Members assisted by giving lectures, establishing and running regional libraries, study centres and examinations. It was hoped that the less enthusiastic would at least draw the Institute to the attention of their juniors and encourage them to participate.

Once the service clause ran out the Institute's fate was largely determined by its appeal to the "younger gentlemen" of the banks. The figures depicted in figure 7.1 show staff eager to sign up as Associates before the deadline on the service clause ran out served to secure a record membership of 925 in 1878, a total unsurpassed until 1895. After 1878 membership declined continuously, reaching an eventual trough of 642 in 1888, despite the increasing numbers employed in banking. Forbes has suggested the failure of the City of Glasgow Bank was a major cause of this decline⁵³. It undoubtedly was a factor, but with only 107 members drawn from that Bank in 1878 and

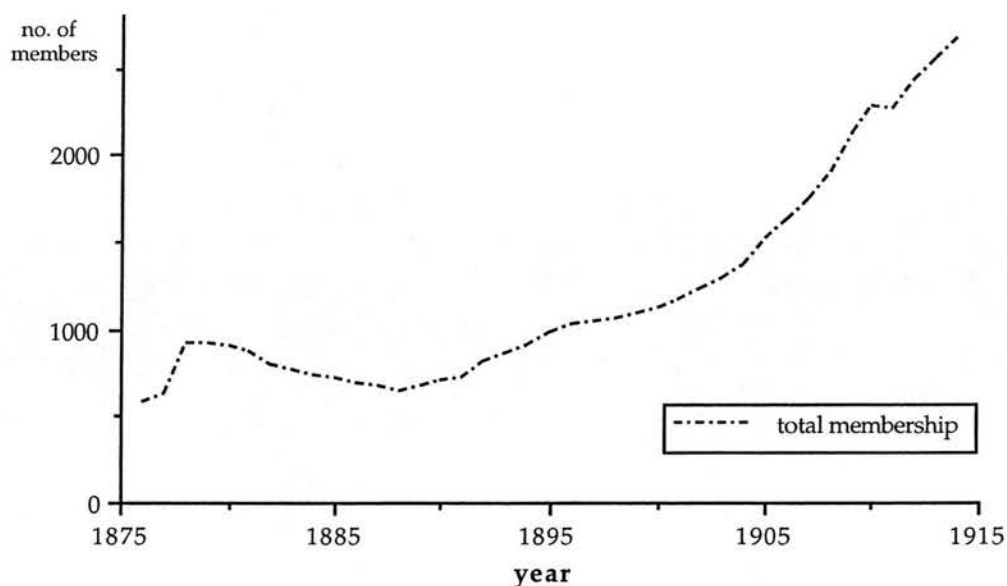
⁵⁰ IOB letter bk. 5 22nd May 1908

⁵¹ IOB letter bk. 1, 20th Sep. 1881

⁵² IOB minutes, 17th Dec., 1889

⁵³ R. N. Forbes (1975), p. 11

Figure 7.1: *Membership of the Institute of Bankers in Scotland, 1876-1914*



Source: Annual Reports of the Institute of Bankers in Scotland

many subsequently re-employed by other banks, it is an inadequate explanation. Rather, staff took little interest in the Institute because they did not believe it was of any benefit to their careers.

They were right to do so. Despite the polite efforts of the Council, the general managers collectively attached little value to the Institute's qualifications and would not countenance linking exam performance to promotion. Kerr argued banking was a science or at the very least a profession, but highly placed others remained unconvinced. Indeed, Alexander Bogie, sometime Commercial Bank general manager and Institute President always referred to banking as "our trade"⁵⁴. Even Kerr, though he remained an ardent supporter of the Institute, regarded "character" not the "cleverness" exams measured, as the primary qualification for promotion. Others adopted a more overt anti-intellectualism. Speaking as President of the Institute, Adam Tait

warned that "cleverness was just as likely to lead astray" and "promotion by merit is not at all the same thing as promotion by ability", something "clever men are apt to forget"⁵⁵. Indeed, cleverness could even hinder careers. Discussing the promotion of his staff one Royal Bank Glasgow Cashier explained how a candidate "although exceedingly clever, has developed slight idiosyncrasies, which would preclude me from thinking of him"⁵⁶. This scepticism was encouraged by disciplinary concerns; it was rumoured that agents discouraged staff from taking the Institute's exams as they felt qualifications tended to make clerks conceited, a sentiment Moneta conveyed when he noted "nowadays young men rather think they can teach their elders"⁵⁷.

Scepticism aside bankmanship dictated that the service of a bank should remain open to youths regardless of their academic ability if they had important enough supporters. This periodically made banks a dumping ground for the less academically inclined sons of the affluent and influential. At Royal Bank's Hunter Square branch a place was booked two years in advance for the son of a company secretary whose employers were described as "amongst our most valuable customers"⁵⁸. The youth subsequently fared better at school than his father expected, winning a place in a solicitor's office, yet the agent still suggested to head office "it might be advisable to retain his name on your list in the meantime".

Furthermore, scepticism about the worth of exams together with a desire to preserve managerial discretion in staffing matters is evident in the actual use banks made of their own entry exams. Candidates and senior officials alike regarded these as a mere formality because "the youth's nominee is his guarantee of admission into the service"⁵⁹.

⁵⁴ IOB letter bk. no. 5, 3rd Nov. 1908

⁵⁵ IOB annual report 1915

⁵⁶ RB 61/5 letter dated 10th Oct. 1922, letter no. 721

⁵⁷ *Bank Notes*, vol. II, 1906 Aug.; Moneta, op. cit., p. 93

⁵⁸ B561/3/10, Hunter Square special letter book, letters dated 5th Oct. 1931, 20th Mar. & 6th Dec. 1933 and 15th Jun. 1934

⁵⁹ *Bank Notes*, Feb. 1907, vol. III

Various examples drawn from other banks organised along Scottish lines and staffed by Scotsmen indicate that entry exams were typically a concession to meritocratic ideas used to bolster established prejudices. One former employee of the Hong Kong and Shanghai Banking Corporation explained "it came very obvious when you came to sit the written examination. They seemed to be more interested in your manners than your intelligence"⁶⁰. Another reached a similar conclusion; "Really it was a sorting device. Some chaps I know had taken it two or three times and failed but it was merely a means of keeping out those they didn't like to rule out on any other score"⁶¹.

Confronted by the collective indifference of the general managers members of the Institute's Council opted to translate the original desire for promotion into more anodyne goals: "a higher culture and tone" and the "improvement and elevation in status and influence of those engaged in banking"⁶². The benefits of the Institute and the profession were accordingly described in exclusively moral terms. The Institute was a cause and professionalisation a mission to improve the individual and through him make each bank a better place. Such arguments failed because staff were more concerned with matters material than spiritual and did not believe that the Institute catered to these. Thus, when no material benefits were forthcoming Associate members began resigning in droves, for example, 14 Royal Bank clerks resigned in May 1878 alone⁶³. Few came forward to replace them and after attracting 52 candidates to the inaugural exams in 1876, by 1884 a larger and more established Institute could only attract 49 candidates.

Among the minority who took the qualifications mounting dissatisfaction became outright dissent in 1886. The year began with the council contemplating opening up membership to the staff of banks

⁶⁰ Quoted in C. Cook, *op. cit.*, p. 195

⁶¹ *ibid.*

⁶² These aims were repeatedly stated, see for example the Annual Report of the Institute of Bankers in Scotland, 1877

⁶³ IOB minutes, 7th May 1878

operating elsewhere. Instead a round of Associate members who had subsequently been promoted were elected full Members⁶⁴. This secured the finances of the Institute, but left intact the belief that in staffing matters it was an irrelevance. This and the continued fall in membership provided the background to the 1886 Institute AGM. Those Royal Bank staff recruited before 1885 who took the Institute's exams provide a guide to the character of the audience. They were a distinctive group having already spent on average nine or ten years working in a bank and only a minority were drawn from any of the Bank's major offices (see discussion of the data and procedures used to reach this conclusion in appendix 2). In light of the tenure and career patterns detailed in chapters 4, 5 and 6, these were men likely to be spending the rest of their working lives in a Scottish bank who had already been passed over as not especially promising material. For them professionalisation was an opportunity to change their superiors' minds and further their Scottish careers.

Seemingly oblivious to these concerns James Wenley, Treasurer of Bank of Scotland and Scotland's most senior banker, adopted an optimistic tone in his presidential speech:

"the increased number presenting themselves for examination was a sign that the work of the Institute now generally engaged the interests of bank employees throughout Scotland"⁶⁵.

However, when questions were taken from the floor the polite theatre of the meeting broke down. A Clydesdale Bank clerk shrugged aside the weight of traditional authority to demand tangible benefits for those who passed the exams⁶⁶. At this the audience divided. Kerr, then Secretary of the Institute, tried to restore calm by asking for all grievances to be given in writing to the Council for further consideration. The audience ignored him until peace was restored by James Wenley promising to give the issues raised his personal attention.

⁶⁴ IOB minutes, 6th Jan. & 11th May 1886

⁶⁵ IOB annual report 1886

Wenley was true to his word and led the first formal attempt by the Institute to play a part in the regulation of bank employment. In 1887 as a representative of the Institute Council he submitted two suggestions to the General Managers Committee⁶⁷. The first was the appeal from the AGM floor for the promotion of those who passed the Institute's exams; "the Council are well aware that this is a difficult and delicate question, and that it would be unreasonable to expect that even a high pass in the Examinations ought in every case necessarily to lead to promotion", but nevertheless "believe that the Examinations of the Institute would, in many cases, give a fair indication of the qualities of the men who pass them creditably"⁶⁸. The second suggestion, made without qualification, was for the Associate exam to replace the banks' own entry exams with passing it to become a condition for admission into the permanent service of a bank. Eleven months later the general managers replied. The first suggestion was quickly dismissed, as to the second:

"The managers considered that practical difficulties prevented the adoption of the proposed examination for all entrants ... but requested that each Manager be specially informed of the names of the employees in his Bank who might pass the Institute's examinations"⁶⁹.

This was a promise to do very little; the information requested was printed in the annual reports, which every general manager already received. Rebuffed, the Council elected another round of senior officials as Members after which the general managers indicated that they were contemplating including a note of those who studied for the Institute's exams in their staff records⁷⁰. Few staff responded to the circular sent round the banks informing them of this latest concession. Finally, the

⁶⁶ IOB minutes, 1st Jan. 1886

⁶⁷ Letter to the general managers of the Scottish banks dated 11th Mar. 1887, included in IOB minutes vol. 1, 6th May 1887

⁶⁸ *ibid.*

⁶⁹ IOB minutes 23rd Feb. 1888

⁷⁰ IOB minutes 3rd Jul. and 18th Dec. 1888

general managers' agreed in 1890 to pay £5 to all those who qualified as an Associate and £10 to those who qualified as a Member.

The bonus quickly secured the continued existence of the Institute, yet the records of the Institute do not detail why it was introduced. However, two factors were arguably key. First, pride was at stake; membership remained low, indifference high and the possibility of the Institute failing is suggested by the periodic mass nominations made by the Council. All this would undoubtedly have affected the status if not the balance sheets of the banks and embarrassed the Institute's prominent supporters. Second and more importantly, an increase in the number of qualified staff would help preserve the high turnover of junior staff the banks relied upon. The idea for a bonus originated in England where the English Bankers' Institute established in 1879 had also suffered from staff indifference. Banking in England still lacked the collectively induced inertia present in Scotland. This allowed one bank to introduce a bonus scheme in 1885, then another⁷¹. The practice spread and in 1888 the Commercial Bank of Australia began offering a £25 salary increment to all staff who qualified as members of the English Institute⁷². Clearly not all banks shared the Scottish antipathy towards professional qualifications and membership of the English Institute grew as a result at the same time as an increasing number of its members began following Scots abroad, intensifying the competition for positions overseas. Therefore, encouraging Scottish staff to take the Institute's qualifications ensured that they remained appealing to other employers.

However, the bonus left intact existing attitudes towards the Institute. The exams remained voluntary and there was no guarantee that the successful would receive any other reward. But, the chance of earning £10 or £15 was enough of an incentive to increase the number of candidates from 115 in 1889 to over a thousand in 1909. The character

⁷¹ E. Green (1979), pp. 65-67

⁷² *ibid.*

and ambitions of candidates changed in the process. Those drawn from Royal Bank were younger than their predecessors and as likely as all recruits were to leave within 10 years of entering the Bank. Their younger peers overwhelmed the frustrated older clerks who had dominated proceedings until 1890 and for whom the Institute had provided a focus for career dissatisfaction. Vocal concerns over promotion were drowned out by a rush of youths intent on winning the bonus before they left Scotland.

So was Kerr's moral ideal; immediate, tangible and announced every year in a special notice, the bonus was presented as hard evidence of the interest taken by the general managers in the professional education of staff. Yet few candidates were convinced the worth of the Institute's qualifications was measurable in anything other than pounds, shillings and pence. The following comment by a candidate of the English Institute is appropriate to Scotland: "Oh well, it doesn't matter if I don't pass, but if I do, I get £20"⁷³. The instrumental orientation of staff towards the Institute soon became apparent. From 1896 it was a matter of concern and by 1900 a public regret "that material attraction was necessary to induce anything like a fair number of candidates to come forward", while candidates were regularly criticised for being poorly prepared and too willing to try too much too quickly⁷⁴. Membership of the Institute came to resemble a revolving door. Hundreds passed the exams, joined the Institute, won the bonus then cancelled or stopped paying their subscriptions on leaving Scotland. For instance, in 1911 229 or 10.1 per cent of the membership resigned⁷⁵. But with hundreds more coming forward each year membership of the Institute grew to 2,670 in 1914, a total unreflective of the actual numbers passing through its books, but enough to guarantee its survival.

⁷³ Quoted in C. E. King, "The First Trip East - P & O via Suez", in F. H. King, *op. cit.*, p. 210

⁷⁴ IOB annual reports for 1890, 1896 and 1900

⁷⁵ See for example, IOB no.3 27th May 1899, no. 4 21st Dec. 1907

The foregoing discussion has emphasised how the professionalisation of banking was prompted by a combination of moral and economic concerns. But what began as an attempt by junior staff to reform the basis on which pay and promotions were allocated within bank ILMs was made over in exchange for practical support from senior officials unwilling to concede any of their authority and unimpressed by the worth of professional qualifications. Consequently, before 1914 qualifications were not necessary for a successful bank career. Indeed, the Council's practice of nominating senior staff for membership to secure support meant professional honours tended to follow career success achieved by other means. Thus, in 1904 the Edinburgh Secretary of the Union Bank was "probably the only banker in Edinburgh who has won his way into the Institute by examination" and in 1912 only five of the Council's 23 members had taken either of its qualifications⁷⁶.

7.4 The professionalisation of banking

The above account supports Perkin's comment that bankers, as opposed to say engineers or accountants, failed to establish an autonomous body able to regulate their employment⁷⁷. Indeed, when approached by the Ministry of Labour during the First World War the Institute Secretary explained it had "absolutely no jurisdiction in respect of staff matters ... the adjustment of the staff is of course entirely a matter for the Scottish Bank managers"⁷⁸. Collins offers a more positive assessment wherein the education and training the British banking institutes provided made a significant contribution to the great stability of British banking after 1878⁷⁹. A more convincing account, for Scotland at least, lies between these two poles where changes of a more subtle nature occurred at an uneven and gradual pace. The Institute became

⁷⁶ Moneta, *op. cit.*, p. 93; IOB Annual Report, 1912

⁷⁷ H. Perkin (1989), p. 85

⁷⁸ IOB letter bk. 6, 5th Feb. 1918

integral to the economy of banking and with this the conduct of the employment relationship. Its activities and organisation clarified the boundaries of bank employment, fostering a definite sense of banking as an exclusive occupational category eventually adhered to at every level. Finally, the meritocratic ideal Kerr originally espoused became a factor negotiated with in staffing decisions.

The same commitment to collective agreement that prevented the standardised use of the Institute's qualifications left each general manager free to determine their worth according to personal preference. This rendered the rate of change uneven. Kerr said of James Wenley that with regards to the Institute:

"No important step was taken which was not either suggested by him or first receiving his approval. He threw himself into the work with an amount of ardour and personal exertion which must have occasioned him much self-sacrifice"⁸⁰.

Unsurprisingly the 356 candidates Bank of Scotland provided from 1889 to 1895 was the largest number drawn from any Scottish bank⁸¹. By comparison the similarly sized Royal Bank provided 197 candidates over the same period and only 11 per cent of the 295 staff recruited during the years 1873 to 1885 passed even a single exam, indicating professional education was not a priority in Scotland's second bank.

However, even the most sceptical general manager could agree that professional honours confirmed that an individual had reached the banking elite. The Council itself formed an exclusive club, while the lesser honour of Membership without examination lent status within banking to that authority gained via promotion. The behaviour of a North of Scotland Bank general manager is evidence that this was regarded as being worth something. Having taken little interest in the Institute he applied for membership in 1902 after the Caledonian Bank's

⁷⁹ M. Collins (1988), pp.85-86

⁸⁰ Quoted in R. N. Forbes (1975), p. 9

⁸¹ Candidate figures derived from *North British Economist*, 1895, pp. 103-04

general manager became an elected Member⁸². The matter was allowed to "lie on the table" until the applicant agreed to mark the annual essay competition after which he was nominated⁸³.

The involvement of senior officials made the Institute a stage on which the bureaucratic paternalism of the banks was remade as a more personal affair. As Checkland noted senior officials were already near mythical figures known more through legend than personal experience⁸⁴. The orchestrated spectacle of the Institute's annual general meeting served to overcome the hierarchical and geographical distance of bank organisations, making authority identifiable with the individual. The president's speech lent the general managers a platform they used to express their views, and audiences an opportunity to see for themselves those who sat in judgement over their careers. This management of the profession made the ritual issuing of certificates by the president a symbol of the organic links fostered by membership of a professional community at the same time as the ordering of the ceremony preserved the hierarchical differentiation of the banks.

Involvement in the Institute let Scotland's leading bankers shape the profession much as they shaped their own banks, achieving self-expression through activities that embodied their personal interests and values. James Fleming, a founding member of Charles Gairdner's Adam Smith Club, was one of the more didactic general managers and in 1877 donated 15 guineas as a prize for the best essay "On the Principles and Practice of Banking in Scotland" to see if "there existed an amount of literary talent sufficient to warrant the formation of a permanent fund"⁸⁵. A new tradition was established the following year when Charles Gairdner donated prize money for another essay competition⁸⁶. Thereafter the general managers took turns to provide

⁸² IOB minutes 30th Sep. 1902

⁸³ IOB minutes 5th May 1903

⁸⁴ S. G. Checkland, *op. cit.*, pp. 502-505

⁸⁵ IOB minutes 5th Nov. 1877

⁸⁶ IOB minutes 4th and 5th Jun. 1878

the prize money and set the essay topic, each one reflecting what they regarded as being of importance to staff. For instance, in 1880 James Wenley asked entrants to write about the "Effect of the American War of Secession 1861-65 on the Trade of the World"⁸⁷. The essay competition enriched the employment relationship by presenting the general managers as benefactors of the profession. Yet an acute consciousness of authority permeated the process. The 1888 competition on "The Multiplication of Bank branches: its advantages and disadvantages as it affects the public, the shareholders of banks and bank officers" only attracted one entry because as a council member explained "as its treatment necessarily involved a criticism of the actions of the Banks some competitors had been prevented from coming forward"⁸⁸.

The place of authority in the Institute became more explicit following the introduction of the bonus and Council members more assertive in their attempts at encouraging staff interest. Before the bonus when a president claimed "(t)hose who were disposed to educate themselves and to advance the interests of their employers by making themselves acquainted with the laws of banking were, in his opinion, more worthy of promotion than others who relied altogether on seniority for advancement", most ignored him⁸⁹. Afterwards candidates were regularly chastised and occasionally subject to heavy handed displays of authority such as the following note sent to a Clydesdale Bank apprentice:

"Your refusal to pay the very first subscription cannot be allowed to pass without me giving you a warning, in a friendly spirit, that such conduct may be detrimental to your interests and prospects, as it will be my duty to report the matter to the General Manager, and I know that he is anxious that his staff should all be on the roll of the Institute"⁹⁰.

⁸⁷ IOB minutes 1st Jun. 1880

⁸⁸ IOB minutes 19th Oct. 1887 and 5th Jun. 1888

⁸⁹ IOB annual report 1887

⁹⁰ IOB letter bk. 5, 6th Oct. 1916

Thus, professional education and identifying with the spirit of the profession became additional obligations that staff were expected to meet. The establishment of the *Scottish Bankers Magazine* in 1909 under the auspices of the Institute and editorial control of the Council, was a less threatening means of achieving the same goals. In the opinion of one senior banker it would bind staff together to form a single, coherent profession and, given free to members, hopefully stop the flow of resignations⁹¹. The magazine was also intended to raise the public standing of the Institute and the profession. There are signs that this occurred as other agencies began using the Institute as a source of expert opinion. For example, it produced a paper on the limitations of shipowners liability for the Board of Trade in 1912⁹².

This accumulation of professional paraphernalia made for a new found self-confidence when dealing with other professionals who ventured into banking. The long-standing suspicion staff held towards outsiders remained, indeed it prompted the author of a history of the Commercial Bank who trained as a solicitor before becoming that Bank's legal clerk, to identify himself as an outsider and apologise for his transgression⁹³. Under the auspices of the Institute the distinction gained greater salience, particularly when the professional education of bank staff was involved. Discussing the establishment of a study centre at Dumfries the Council debated involving the town's agents for months because they were deemed "more law agents than bankers" and only eventually relented; there were not enough full-time agents to support the centre and excluding the part-time agents would have caused offence⁹⁴.

⁹¹ IOB letter bk. 5, 3rd Nov. 1908; IOB minutes 11th May 1908; IOB annual reports for 1908 and 1910

⁹² IOB annual report 1912

⁹³ J. L. Anderson, *The Story of the Commercial Bank of Scotland Limited*, (Edinburgh, 1910)

⁹⁴ IOB letter bk. 4, 6th Nov. and 28th Dec. 1900

Kerr set aside the self-serving aspects of this opposition too cast it in exclusively moral terms. He asked those trained to other professionals and involved in banking:

"would they consider it a safe or judicious proceeding to entrust their respective businesses (in which, presumably, they served long and laborious apprenticeship) to the direction of men bred to other trades ? Without doubt they would condemn such an action as unwise, and, if done to their prejudice, as unjust"⁹⁵.

This concern with who was and was not a banker reoccurred when the general managers debated throughout 1909 and 1910 who would hold the first Lectureship in Banking at the University of Edinburgh, a position funded by a £5,000 bequest from an Edinburgh banker⁹⁶. Allan McNeil was a suitable applicant, indeed the only applicant for the post. He was an established Institute lecturer, a leading authority on banking and the law (his book on the subject first published in 1894 remained in use until the 1970s) and had managed the Bank of Scotland law department⁹⁷. However, he was also a qualified lawyer who entered then left Bank of Scotland to practice on his own account. The symbolism of the lectureship was not lost on the general managers amongst whom there was a "serious prejudice" against McNeil because of his professional background. For this public representative of the banks and the profession the preference was for a retired banker of some standing and experience⁹⁸. When none were found Alexander Wright was proposed as an alternative⁹⁹. Wright politely refused leaving the general managers no alternative but to recommend McNeil's appointment.

Similarly, this pragmatic acknowledgement of professional ideals increasingly featured in employment matters. The influence of the

⁹⁵ A. W. Kerr, "Bank Officers", in A. W. Kerr (ed), p. 138

⁹⁶ The debate is detailed in IOB letter bk. 5. 7th & 24th Sep. & 5th Oct. 1909 and 1st Feb. 1910

⁹⁷ For a discussion of McNeil see Moneta, op. cit., pp. 99-106

⁹⁸ IOB 24/9/9

⁹⁹ IOB letter bk. 6, 1st Feb. 1910

Institute nudged the banks towards Weber's bureaucratic ideal to an extent revealed by the following incident involving Alexander Wright whose career epitomised meritocratic success. Wright began as a Perthshire apprentice and eventually became Cashier of Royal Bank as well as President of the Institute from 1921 to 1924. In 1930 an important business associate asked Wright for his son, a Royal Bank clerk, to be promoted¹⁰⁰. Wright refused after repeated investigations revealed the youth turned up late most mornings (when he turned up at all) to do half a clerk's work and had the habit of walking round the office smacking other clerks on the back. He was, in the opinion of the Bank's highest officials, not fit and never will be, an embarrassment, not suitable, boyish and irresponsible. The clerk's father died leaving his wife and an uncle - a Duke - to continue what became an eight year campaign. After Wright died his successor William Whyte, another meritocratic success, continued refusing. Finally, Whyte after making sure no business would be lost, arranged for the youth to receive a lump sum in lieu of a pension to help him begin some other career "it being unfortunate that he has been allowed to remain in the bank so long". In this clash between influence and meritocracy an assertive sense of what a banker was and should be was deployed, one that saw the traditional claims of inherited wealth and title pragmatically, tactfully, but firmly rejected.

7.5 Clerks, status and society

(i) How bank staff were regarded by others in the nineteenth century

The above discussion has focused upon the Institute primarily in relation to the operation of bank ILMs; however, it was more than this. Through its qualifications, lectures and magazines, it was also a means of acting upon the social, indeed the goal of raising the status of the profession and its practitioners was written into its constitution.

¹⁰⁰ RB/116/6

Therefore its history provides a basis from which to consider the issue of clerks and status and with this broader issues concerning the content and conduct of social relations. But first it is necessary to consider why we have at best a partial, but more often than not a prejudicial understanding of how the clerk viewed society and his social self.

Much of the material used to understand the social character of clerks is antipathetic towards the subjects it purports to describe. Despite this uncritical use has been made of contemporary accounts to (re)produce a particular, prejudicial account¹⁰¹. An exception to this is Young who has charted a sustained campaign beginning in the mid-nineteenth century to bring the gent; the self-important nonentity that provided the stereotype used to characterise low level clerks and office workers, into universal contempt¹⁰². Henry Pooter, the main character in Grossmith and Grossmith's classic *The Diary of a Nobody* is a direct descendent of the gent, yet remains a key source of historical insight. There are other examples including an entire genre of detective fiction written in the late nineteenth and early twentieth centuries wherein reassuringly superior figures solved crimes beyond the wit of bumbling, typically lower-middle class, police inspectors¹⁰³.

As for the gent, numerous books and journals produced what Young describes as a semiotics of dress; a set of indicators that allowed the gent to be distinguished from the gentleman without the inconvenience of engaging in conversation¹⁰⁴. As social critique this did no more than lay a veneer of taste upon the habit of ridiculing the less affluent for being less affluent; the gent could be spotted by the

¹⁰¹ See for example J. F. C. Harrison, *Late Victorian Britain*, (London: Fontana, 1990)

¹⁰² A. Young, "Virtue Domesticated: Dickens and the Lower Middle Class", *Victorian Studies*, 39, (1996), pp. 483-511

¹⁰³ Indeed "lower middle class" snobbery remains a key source of humour in Britain as exemplified by the BBC situation comedies *Dads Army*, *Fawlty Towers* and *Keeping Up Appearances*. The point to bear in mind when considering these is that many of the key characters involved who were embarrassed, infuriated and amused by the excessive displays of snobbery around which much of the humour revolves are also recognisably "lower middle class".

¹⁰⁴ *ibid.*, pp. 487-491

cheapness of his clothes and the old clerk identified by his frayed collar and cuffs, shiny pants and worn boots. Both were also faulted for their effeminate attention to detail, yet this is exactly the behaviour they provoked in others. Indeed, Young argues this desire to ridicule is indicative of a profound social anxiety on the part of a then recently formed middle class that sought to amuse and thereby distance itself from those whose collars and ties compromised the visual cues they themselves used to support their own claims to a superior social status. This desire for distance subsequently acquired various forms of institutional expression. For instance, across Scotland the intricacies of the social order were recreated in a carefully arranged hierarchy of golf clubs, each one geared to keeping out those regarded as undesirable¹⁰⁵.

More than this, by following rules clerks routinely challenged the social status claimed by otherwise superior others. This can and has been understood in terms of the bureaucratic personality; the individual who insists upon a literal interpretation of every rule defining their scope of action within an organisation¹⁰⁶. There is ample evidence of this. For instance, in 1902 Royal Bank tellers were instructed to become more flexible and "ready to serve any of the bank's customers without reference to the initial letter of his name"¹⁰⁷. Yet much of the frustration such behaviour prompted arose from the uncomfortable sensation that through their actions and bearing the tellers made clear how they regarded their customers. On one occasion this ability to deny the status claimed by others involved a Sir, an ex-lord mayor of Liverpool, who complained about the treatment he received at the hands of a Lerwick bank agent during a cruise around Scotland¹⁰⁸. The incident began when the captain of the yacht asked to cash a cheque wearing what

¹⁰⁵ J. Lowerson, "Golf and the making of Myths", in G. Jarvie and G. Walker (eds) *Scottish Sport in the Making of the Nation*, (Leicester: Leicester University Press, 1994)

¹⁰⁶ R. Merton, "Bureaucratic Structure and Personality", in A. Etzioni, (ed), *Complex Organisations A Sociological Reader*, (New York: Holt, Rhinehart and Winston, 1961), pp.51-54

¹⁰⁷ RB 285, Letter to Tellers, 1902

¹⁰⁸ CS 149, Complaint about an agent's conduct, (1883)

passed in Liverpool as nautical garb. As the agent wired Liverpool the Sir entered to present another illegibly signed, cheque. The agent later observed that before he could explain, the Sir "left the Bank fuming at all and sundry for not at once cashing his cheque". Called to account for his actions the agent explained the "name and fame" of the Sir though well known in Liverpool was less so in Lerwick, indeed this was the first time he had ever heard of him, but if the directors insisted he would apologise. Viewed from a distance the particular charm of bank staff (and clerks) lay in this ability to prick egos, however, it was not something that made them popular.

The fog of professional politeness complicates matters further. Staff were subject to rules, which:

"required of all clerks that they apply themselves with zeal, activity, and assiduity to the business of their several stations; that they pay implicit obedience to the directions of their superiors in office; that they behave to the public with the utmost civility and good manners, without showing partiality or preference to any persons, and that they attend to and serve each in turn"¹⁰⁹.

These demands made them a part of what Wright Mills described as a personality market wherein:

"they sell not only their time and energy but their personalities as well. They sell by the week or month their smiles and their kindly gestures, and they must practice the prompt repression of resentment and aggression. For these intimate traits are of commercial relevance and required for the more efficient and profitable distribution of goods and services"¹¹⁰.

In the personality market deference and servility were as much the clerk's tools of the trade as a hammer and chisel were to a carpenter. Despite what contemporaries often assumed these were not innate traits¹¹¹. Rather, the habit that developed amongst young clerks of participating in the raucous fun of the music hall, indicates they were

¹⁰⁹ B567/1, Rules and orders to be observed at the London office of the Royal Bank of Scotland, dated the 10th Aug. 1874

¹¹⁰ C. Wright Mills, *op. cit.*, (1951), p. xvii and pp. 182-188

things set down at the end of each working day¹¹². The finite constraints professional courtesy placed upon self-expression are apparent in the following incident, which occurred in a Greenock branch in the 1920s. Every week a customer deposited a bag of silver by sliding it as hard as he could towards whichever clerk served him, smacking the clerk in the stomach. Winded, the clerk would smile through gritted teeth at the customer, thank him, and begin counting the coins. Finally, one clerk fired the bag back at the customer who immediately complained to the agent. The agent, knowing the customer well, only mildly rebuked his staff. The story illustrates how professional courtesy - the forced smile - obscures our understanding of the clerical mentality.

However, the point is the clerk who relayed this story learned to manage his personality by constructing a professional and a private self to which he accorded greater authenticity. In the privacy of the interview, as in the back office, he freely described the bag wielding customer as a ridiculous figure, a vain and self-important man who, after a spell in the Territorial Army, insisted on being addressed as colonel. The interviewee did not believe that the customer deserved to be called a colonel, a detail that supports the assertion of Gray and Thompson that clerks adopted an archaic version of those values they understood their social superiors adhered to¹¹³. But it adds the proviso that this knowledge was used critically and selectively; values had to be conformed with and adhered to. Consequently, deference was not always forthcoming; rather it was awarded to those who complied with clerical expectations. Thus, the same interviewee described another customer who invited bank staff to his house for warm drinks and a game of curling on his frozen tennis court every winter. This, in the

¹¹¹ B. Waites, *op. cit.*; C. Hosgood, *op. cit.*, pp. 520-522,

¹¹² C. W. Hill, *Edwardian Scotland*, (Edinburgh: Scottish Academic Press, 1976), p. 60; G. Stedman Jones, "Working class culture and working class politics in London, 1870-1900: Notes on the remaking of a working class", in G. Stedman Jones, (ed), *Languages of Class*, (Cambridge: Cambridge University Press, 1983), pp. 205-206

¹¹³ R. Gray, "Religion, Culture and Social Class in Late Victorian and Early Twentieth Century Edinburgh", in Crossick, p. 150; F. M. L. Thompson (1988), p. 260

opinion of the interviewee, was a real gentleman and another example of what, viewed from above, was the unforgivable presumptuousness of clerks.

In various ways, then, the clerk formed a disruptive presence that discomforted those who expected their status claims to remain unchallenged. The clerk also regularly refused to remain inside his allotted social space, something Kerr experienced during the establishment of the Institute:

"I fear that with a good many of the clerks there is too much unawareness of an inferior position. They are unwilling to recognise the fact which it is impossible to deny that their position is as ... subordinate to that of the leading officials in the world as in the office and that consequently it is quite appropriate that the same should hold in the Institute"¹¹⁴.

When these aspects of clerical behaviour are taken into account *The Diary of a Nobody* appears less a comic, quasi-sociological account of clerical life and more a potent weapon in a status war. The authors display little sympathy or empathy with Henry Pooter whose character serves as revenge for the slights meted out by clerks on a daily basis to those who expected preferential treatment only to be politely asked to wait in the queue. The novel concludes with Pooter's master giving him the freehold to his house as a reward for honest and faithful service, an act presented as a paternalistic gesture devoid of any economic rationale. As such it flatters the reader, granting him the satisfaction of sharing in the forbearance and charity necessary for dealing with such silly little men. Moreover, it fails to acknowledge the fact that much of the law governing commerce in the nineteenth and early twentieth centuries was developed in response to misdemeanours perpetrated by clerks. Thus, the ineffective, dependent and meek clerk Grossmith and Grossmith depict appears as wishful thinking an array of paternalistic devices were used to induce to preserve the integrity of commercial life.

(ii) Clerks and bankers

Therefore there is a need to bypass the comments of others and a self-imposed professional silence to find the authentic voice of bank staff. This is what makes the essays, debates and articles associated with the Institute so significant. However, their use is subject to certain qualifications. Much of the material produced was subject to self if not actual censorship due to the presence of hierarchical authority. But, this was less of a factor when staff discussed society as a whole. Indeed the social was a recurring concern of the aspiring professional as professionalisation presupposed a hierarchical model of society necessary for achieving the goal of raising the status of those involved in banking, while also assuming social mobility was both possible and desirable. The social model most often used depicted a stable hierarchy of three classes: the labouring classes; the middle classes; and the upper classes¹¹⁵. The labouring classes were also "the wage earning classes - those who earn wages by labour of hand"¹¹⁶. The middle classes worked, but used brain instead of brawn and received salaries or drew profits instead of wages. The upper classes were men of means whose ownership of capital conferred economic independence. This consciousness of class was grounded in relationships to the means of production, but also distinguished between the labour market position of the middle and working classes. The following section discusses how the component parts of this social model were perceived and related to.

Morbid fear and social anxiety are noticeably absent from accounts of what were variously described as the labouring, working and wage-earning classes. In the 1870s members of the SBLA debated whether strikes were injurious to the working classes - they were - and whether high wages had a good effect on the working classes - no,

¹¹⁴ IOB letter bk. no. 1, letter dated 29th Dec. 1875

¹¹⁵ 1904 IOB Prize essay, 2/1/17, p. 40

¹¹⁶ 1896 IOB Prize essay, 2/1/31, p. 1 and 1904 IOB Prize essay, 2/1/16, pp.5-13

because they were "spent on luxuries which had the opposite of a good effect"¹¹⁷. The subject matter and outcome of these debates suggests neither fear nor revulsion, instead it exemplifies a self-confident ability to know the working classes as a lesser group amenable to disinterested scrutiny. Above all they identified the working classes as a distinctive and homogeneous other. Differences within the working class of skill, respectability or pay, though acknowledged, were subordinated to a presumed unity predicated upon what were perceived as common, childlike character traits, an attribution of psychological simplicity reminiscent of how others viewed clerks.

The interaction between industrial unrest and social theory in the Edwardian period produced a new terminology of class deployed alongside the existing three class model. Masters and men became capital and labour; a dichotomous model imbued with a sense of industrial conflict and frequently accompanied by references to class war¹¹⁸. This terminology contained the social forces it described. Capital and labour confined class conflict to the economic, rendering its effects upon social and political life potential rather than actual. Awareness of what might occur centred on socialism and, in keeping with notions of the working classes as childlike, socialists were found guilty of leading strikers astray:

"The spread among the lower classes of disturbing theories of property and the growing envy by the proletariat of the riches that other classes possess, cannot but be regarded as indicating a danger, even it maybe, a menace to society"¹¹⁹.

Socialism in this account formed an alien presence that threatened to disrupt a stable social order, though as we shall see in the next chapter, opposition to socialism was never absolute or unthinking¹²⁰. However, even these fears require qualification. Clerical anxieties focused upon

¹¹⁷ SBLA minutes 27th Jan. 1873 and 1st Feb. 1875

¹¹⁸ *North British Economist*, 1893. no. 12 and 1894, no. 1

¹¹⁹ 1894 IOB Prize essay, 2/1/36, pp.3-4

what might be and were rarely omnipresent. They ebbed and flowed in this instance in relation to the state of industrial relations in Britain as a whole. Even then Scottish bank staff were largely unmoved by the explosions in trade union activity that occurred in the late 1880s and early 1890s and again in the 1910s¹²¹. The railway strikes that took place in 1891, for example, were merely an inconvenient disruption to be endured. Indeed, when discussed in more detail the personal circumstances of strikers were regarded sympathetically, though not with empathy, as there was seen to be an element of justice to their demands. Moreover, both sides in the dispute were criticised, as the strike was the "blunder of the men and the blame of the masters"¹²².

Industrial disruption prompted some to suggest solutions that derived from the experience of clerical employment. Above all the potentially disruptive spectacle of class conflict was to be avoided. For this reason the conciliatory efforts of the TUC in 1891 made it the only praiseworthy party to the dispute and a "wholesome educative influence on the country"¹²³. Industrial peace and social calm required the incorporation of labour more fully into the capitalist process, a change necessitating both sides mend their ways, though capital was expected to take the lead as "the Capitalist must cultivate closer relations with labour"¹²⁴. If need be concessions should be given in exchange for appropriate behaviour, for instance, an article on slum improvement concluded:

"Tax-payers would not grudge any few pence the realization would cost, if only the people put in the houses would keep them tidy"¹²⁵.

¹²⁰ For a critical discussion of right wing politics and clerks see M. Savage (1995), pp. 196-197

¹²¹ For surveys of trade union development and industrial disputes during this period see R. Devlin, "Strike Patterns and Employers' Responses: Clydeside in Comparative Perspective", in McIvor and Kenefick, (eds), op. cit.; and J. Lovell, *British Trade Unions 1875-1933*, (London: Macmillan, 1977)

¹²² *British Economist*, 1890, no. 10; *North British Economist*, 1891, no.3

¹²³ *British Economist*, 1890, no. 10; *North British Economist*, 1891, no.3

¹²⁴ 1893 IOB Prize essay, 2/1/40, p.62; *British Economist*, 1889 no. 7; *North British Economist*, 1891. no.3

¹²⁵ *North British Economist*, 1894, no. 1

However, the necessary changes amongst the working classes were to occur at a deeper level than personal habit. In the industrial arena profit share schemes were proposed as a means of making workers realise a more efficient capitalism was in their self-interest. This intellectual shift would be accompanied by emotional change, for instance, the co-operative movement drew praise as its dividends made every recipient a capitalist and incited "the love of accumulation" that was "a bulwark against the spread of unsettling Socialist theories"¹²⁶. Thus collectivisation per se was not automatically regarded as a threat to the social order, quite the reverse in fact. It was only when such necessary institutions fell under the leadership of socialists and threatened to disrupt the capitalist process that they became a cause for concern.

Whereas the working classes constituted a separate entity deemed to be in need of reform and able to be acted upon, the upper classes formed a vague category of social description lacking either critical or complimentary nuances. The unfairness of upper class privilege frequently drew critical attention, as did the behaviour of the affluent and influential customers staff came into contact with. However, this primarily focused upon specific individuals, leaving the upper classes as a whole intact and known from an accepted distance as a fact of life that served to clarify the boundaries of clerical social horizons. Gray ascribes to clerks delusions of grandeur, arguing that their use of pretentious and overly complex prose provides evidence of a status driven desire to emulate their betters¹²⁷. Alternatively this constituted a didactic attempt at developing a distinctive form of self-expression. Set against this is the fact that clerks and their wives became voracious consumers of society gossip contained in the developing popular press and read guidebooks on how to behave in polite

¹²⁶ 1898 IOB Prize essay, 2/1/12, pp. 2-55m

¹²⁷ R. Gray (1977), p. 150

society¹²⁸. Yet Young emphasises the bounded social ambition of the bungalow cum semi-detached dwelling suburbanite as exemplified by Dickens's character Mr. Wilfer in *Our Mutual Friend* who refused to use his Christian name because it was "too aspiring and self-assertive"¹²⁹. This modesty also features in the exchange between Robert Service and his agent quoted above where becoming the manager of a branch constitutes the summit of clerical ambition. Indeed, rather than providing evidence of social aspiration much of what has been identified as clerical behaviour can instead be regarded as harmless, social observation. Peer pressure prevented it becoming anything else; a recurring theme in accounts of bank work is the ridiculous spectacle of the socially ambitious and the pretentious. For instance, in a series of character sketches on bank clerks past and present the "Chip off the Old Block" was chided for his continual attempts to associate himself with any member of the aristocracy, however, distant¹³⁰. More routine was the ridicule of staff who returned from working in London with an English accent, an unpalatable adoption of airs and graces. The ideal was instead set out in a sketch of the "Old Clerk" whose relations with the upper classes were conducted on the basis of mutual respect founded upon an implicit recognition of static social differences¹³¹.

Whereas the working classes were an intermittent subject of debate and the upper classes a vicarious opportunity to learn about lives of unobtainable exoticness, the middle classes were the primary concern of bank staff and where they located themselves. The frequent use of classes instead of class denotes a sense of the middle classes as a fragmented, complex mass. For instance, bank directors were drawn from "the professional, mercantile, and independent classes", illustrating the significance of vertical divides based upon ownership and forms of

¹²⁸ K. Flint, "Introduction", to G. and W. Grossmith *Diary of a Nobody*, (Oxford: Oxford University Press, 1995), pp. Xvii - xviii

¹²⁹ A. Young, op. cit., p. 494

¹³⁰ *Scottish Banking and Insurance Magazine*, 1882, Oct.

¹³¹ *Scottish Banking and Insurance Magazine*, 1882, Jul.

capital that were in turn cut across by horizontal distinctions based on income, status and authority¹³².

Within banking the horizontal was primary. In Royal Bank and Institute records the intricate grades used to order and motivate staff routinely gave way to a basic dichotomy between those at the top and everyone else. The following couplets were routinely used - officers and staff, senior officials and employees and managers and clerks. The term clerk was of particular significance because of its broader social meaning, which reoccurred in banking in ways that served to emphasise the subordinate status of staff. When Primrose Kennedy recommended the appointment of John Bishop, he explained this was despite his being a clerk and when Kerr lamented the scale of emigration he explained "it was as clerks they left their native land, they learned to be bankers elsewhere"¹³³. This way of knowing facilitated the exercise of authority; a clerk's opinions were not so much unwanted as irrelevant. Staff shared in this critical understanding, usually describing themselves as clerks only when they were under-paid, over-worked or under-valued.

Self-pity and self-immolation provided much of the impetus for attempts to forge a new identity devoid of negative connotations. Professionalisation was also an attempt to bring into being a new, positive identity. The Institute began as a means of transforming the clerk into a banker who would rank alongside the lawyer, the engineer and the surgeon in the professional middle classes. The first step was to define what a banker was:

"Strictly speaking, a banker is one who, having funds of his own employed in banking business, does himself take an active part in managing the business ... In point of fact, only members of private banking firms can be properly called bankers. But as in Scotland there are no private bankers, and as it would be an absurdity to say that there are no bankers, it is usual to consider

¹³² *Scottish Banking and Insurance Magazine*, 1881, Nov.

¹³³ A. W. Kerr, "Arrangements and Functions", in A. W. Kerr (ed), p. 127

all bank officers endowed with official powers as bankers. In this category, then, will be included general managers, secretaries, local managers or agents, and all other officers who have the right to sign in name of the companies whose business they are conducting"¹³⁴.

This was Kerr's definition, its details capture the transformation Scottish banking underwent in the first half of the nineteenth century, exploiting the shift in emphasis from ownership to authority to appropriate an existing identity grounded in the performance of a specific function. However, ambition did not translate into success.

In theory agents were the most numerous bankers, but although agents were positioned gatekeepers to the massed resources of the banks, charged with filtering credit applications, refining and adding recommendations to submissions eventually sent to head office for approval, in practice they had only limited involvement in lending. Rather with only six customers, for example, operating cash credits at the Royal Bank Kilmalcolm branch during the period 1888 to 1892, for most agents lending was an afterthought and deposit gathering their primary concern and responsibility¹³⁵. Thus the actual nature of bank work worked against the establishment of the positive, professional identity Kerr aspired to. Furthermore, as Collins explains "the strongest cultural resources for the formation of a dominant group are those that involve a great deal of ritual impressiveness", with social distance an additional contributory factor¹³⁶. The element of ritual belonged to the banks' alone, most obviously that surrounding the grand head offices, leaving a staff-customer relationship founded instead upon personality, intimacy and convenience. Ultimately it proved too much to ask of customers to equate agents, let alone the errand running apprentices and polite tellers with the grand, wealthy and powerful figures already known as bankers.

¹³⁴ A. W. Kerr, "Bank Agents", in A. W. Kerr (ed), pp. 128-129

¹³⁵ RB 495, *Abstract of correspondence between branch agents and head office, 1888-1892*

¹³⁶ R. Collins, *The Credential Society*, (London: Academic Press, 1979); p. 174; T. Johnston, *op. cit.*, p. 65

The persistent implausibility of the professional project provoked introspection and self-doubt. A recurring concern in magazines written by and for bank staff was clarifying who or what they were. Readers of *Bank Notes* were asked to contribute essays on the differences between a banker and a bank clerk while being addressed as bankmen, an Edwardian invention intended to avoid the stigma attached to clerk¹³⁷. Similarly, the various titles adopted by bank trade unions before 1918 regarded elsewhere as evidence of a status-driven desire to avoid anything that smacked of the working classes, exemplify this uncertainty and the fragility of those identities assumed (the development of these organisations is considered in the next chapter). The proposed Federation of British Bank Clerks in 1907 eventually became the London based United Bankmen's Club, while in the North of England a National Association of Bank Clerks was renamed the Bank Officers Guild due to fears that promoted staff would not join an organisation with clerk in its title. Scottish trade unionists avoided this by calling their union the Scottish Bankers Association, while scrupulously referring to staff as bankmen at all times.

Bank staff mid-career were left inhabiting an uncomfortable limbo somewhere between the disdain directed towards clerks and the material comfort gained on promotion to an agency. Although uncertain as to what they were, staff were certain about what they were not. Here, however, the greatest status anxiety was provoked by the seemingly innocuous figure of the insurance salesman and to a lesser extent the commercial traveller. Insurance was the industry most akin to banking; the parity of the two is evident in the establishment of an annual golf competition between Edinburgh bank staff and insurance officials. It was precisely this proximity which made bank staff more intent on claiming superiority over their golfing rivals than anyone else:

" it is one thing for an insurance agent to endeavour to secure a specific transaction which might be carried through in a thousand different ways,

¹³⁷ *Bank Notes*, 1907, Oct.

all requiring explanations to be understood by most persons, and an altogether different thing for a bank agent to seek surreptitiously to undermine a continuous business relationship. A bank agent should *attract* business; he should not require to *solicit* it ... were he to call at private houses and solicit orders, he would become a pedlar, and would thus fall in the social scale"¹³⁸.

This guide to the character and conduct of bank staff provides evidence of status claims based upon character, bearing and respectability with little economic foundation. Its paucity, as with the defiantly instrumental orientation of staff towards the Institute, reveals status divorced from material rewards was not especially important.

More significant was achieving promotion from clerking to management. Chapter 5 discussed how staff joined a bank with the expectation of eventually reaching a managerial position: "(t)he culminating point of the bank clerk's business is in management. It is his ideal, his goal, the terminus of his ambition"¹³⁹. A majority of recruits emigrated to achieve this goal; indeed emigration was a far more potent source of social distance and differentiation than status consciousness or claims to professional status. Among the minority who stayed behind (certainly at Royal Bank) a majority eventually reached a managerial position. To achieve this bank staff and clerks typically received the following advice:

"his natural course to promotion is, as we have before hinted, by making himself indispensable to his employer; the head must, sooner or later, take the right hand into its confidence"¹⁴⁰.

In banking where the organisation replaced the master staff also got on "by appearing to display excessive zeal for the Bank, - a most reprehensible feature, although unfortunately successful at times"¹⁴¹. Career success required the adoption of habits and forms of self-

¹³⁸ A. W. Kerr, "Bank Agents", in A. W. Kerr (ed), pp. 132-133

¹³⁹ *Bank Notes*, 1907, Mar.

¹⁴⁰ Quoted in D. Lockwood (1989), p. 22

¹⁴¹ A. W. Kerr, "Staff Aspects and the Institute", in A. W. Kerr (ed), p. 151

expression deemed compatible with promotion. As an article in the *Scottish Bankers Magazine* titled the "Road to Success" explained:

"Cranks - artistic, scientific, hygienic, antiquarian, religious, or political - seldom succeed"¹⁴².

Clear lines were drawn between right and wrong / success or failure; whereas the successful were noted as active, capable, steady and of temperate habits, those judged flighty, inconsistent and bombastic fared badly¹⁴³. Thus, career success required staff subordinate their social selves to their employer within the confines of a personality market whose participants were expected and encouraged to smooth away the rough edges of their character.

7.6 Conclusion

This chapter has used an examination of the Institute of Bankers in Scotland to consider what Lockwood describes as the class consciousness of clerks. We can now return to assess the outline of this set out in the introduction and the role of status in explaining the social behaviour of clerks. On the basis of the evidence presented here it has been argued much is in need of modification, while other elements need to be disregarded altogether.

Contemporary accounts of clerical employment often noted the importance of patronage, describing it along with influence as "the crowning curses of clerkships"¹⁴⁴. In keeping with this there is little sense in what Kerr wrote that he perceived banking or society to be especially meritocratic or that promotion occurred primarily on the basis of individual ability. Rather merit was located in the normative framework of bank staff as an ideal to be brought into being, with Kerr an exception essentially because he sought to transform what others merely criticised.

¹⁴² *Scottish Bankers Magazine*, 1910, Jan.

¹⁴³ For numerous examples of the assessment of agents and their personalities see RB 406/S

¹⁴⁴ Quoted in D. Lockwood (1989), p. 25

Then there is the role of status. The profile of the professional pioneers developed above revealed a decidedly instrumental orientation towards education in keeping with the predilections of ambitious men who lacked the resources or guile others used to achieve career success. They and the Institute's first generation of candidates hoped the qualified man was a promotable man, a notion that brought the professional ideal into conflict with the existing distribution of authority over employment matters. The general managers were willing to subsidise the Institute and organise its affairs, but, sceptical about the worth of theoretical as opposed to practical knowledge and unwilling to accept any constraint on their authority, refused to link its qualifications to promotion. Consequently, the appeal of the Institute was based on an education devoid of any material benefits, plus the status and sense of worth it conferred; as the fourth secretary of the Institute was fond of saying "(t)he reward is in the race we run, not in the prize"¹⁴⁵. The majority of staff instead wanted prizes and took little interest in the Institute, leaving it with greater appeal to senior officials whose status in banking it confirmed, than their subordinates. What periodically became a heated debate about the worth of the Institute was finally resolved by the bonus scheme, which ensured the Institute's survival and preserved the high turnover integral to Scottish bank employment by ensuring staff remained attractive to other employers.

All this questions the importance of status in existing accounts of clerks. It was shown in the previous chapter that promotion plus incremental salaries and a wide range of paternalistic benefits, resolved, and emigration removed, the assumed discrepancy between the economic position and status of clerks. Furthermore, we know clerks were obsessed with status primarily because their observers reached this conclusion. But, such accounts require careful use as much of the detail they provide provides a guide to the concerns and prejudices of

¹⁴⁵ Quoted in R. N. Forbes (1975) pp. 12-13

the observers not the observed. The careers and comments of staff support a different account in which modesty was important and the threat posed by the working class perpetually confined to the future leaving the precise location of bank staff within the middle classes of more immediate importance. However, even this modest form of status anxiety requires qualification. Membership of the Institute, an organisation geared to raising the status of bank staff and little else, provides a test of how important status was. The answer is simple: not very. This is not to deny the significance of status altogether, but it is to insist that for the subjects of this thesis status divorced from material rewards was more often than not an afterthought and rarely an obsession. Perhaps this lends some support for Crossick's comment that clerks adhered to a striking disbelief in the value of action¹⁴⁶. However, the account of emigration and its motives discussed in chapter 6 indicates that a cautious pragmatism is a more fitting description, with emigration providing evidence of a willingness to take dramatic, life-changing actions that placed bank staff amongst Scotland's imperial pioneers.

My final conclusion concerns the social identity of bank staff, or to be more accurate social identities. Professionalisation inaugurated a wave of experimentation and active attempts at constructing new identities. The history of the Institute, unlike, for example, accountancy, is an account of the failure to establish a coherent, collective identity. There were some notable achievements: the Institute became integral to the economy of banking, a source of expert opinion, fostered an exclusive sense of who was and wasn't entitled to work in and represent the banks and encouraged meritocratic ideals to be adopted in staffing matters. However, the banker continued to reside in the upper reaches of society where few of his subordinates were able to join him. For the majority career success required that staff exhibit

¹⁴⁶ G. Crossick (1977), p. 17

certain qualities deemed appropriate by their superiors. Thus in practice to be a professional involved cultivating a public persona largely devoid of self-expression.

Chapter 8: Trade unionism, the professional worker and the Scottish Bankers Association, 1918-1939

8.1 Introduction

The peculiar consciousness of clerks has long been used to account for the development and character of clerical trade unionism. Between the wars Klingender deployed the Marxist concept of false consciousness to explain the disproportionately small number of clerical as opposed to manual trade unionists¹. He argued that clerks refused to recognise that as dependent employees they held the same class position and therefore same objective class interests as manual workers. Lockwood subsequently rebutted the charge of false consciousness, offering an alternative Neo-Weberian schema, wherein status consciousness explained much the same phenomena². In this formulation false consciousness instead became a question of priorities; clerks were more concerned with status than economic rewards, which was why despite frequently earning no more than skilled workers, they refused to join trade unions due to their association with the working class.

However, chapter 6 argued the dissonance between economic position and social behaviour these approaches assume largely disappears when the incremental benefits that routinely accrued over the course of a career are taken into account. Moreover, in chapter 7 it was argued that bank staff displayed a resolutely instrumental orientation towards the Institute of Bankers in Scotland, which questions the assumption that clerks were more concerned with status than material rewards. Finally, there is the traditional characterisation of the middle class and lower middle class in particular as being committed to individualism as opposed to working class collectivism, an outmoded

¹ F. D. Klingender, *op. cit.*

² D. Lockwood, *op. cit.*

approach that threatens to obscure more than it reveals³. A primary goal of the Institute was to provide methods of knowing and acting upon the individual, to overcome the anonymity of bank organisations by creating individuals knowable beyond the borders of their respective branches, associates and / or communities. Yet the origins of the Institute can only be described as collectivist; it emerged from an association after all where the individual was subordinate to a collective. The individual certainly had *his* place, for instance, the eleven laws and bye-laws governing Association meetings made sure of that by stating that those who opened debates "shall be allowed five minutes for reply after the other members have spoken, none of whom shall be allowed to speak twice in the same debate unless for the purpose of explanation"⁴. Thus, the Association then the Institute were collective means of bringing the individual into being, a regulated interdependence based upon creating and structuring acceptable forms of individuality and identification.

What remains is an imperfect account of industrial relations due to the apparent absence of employers. Indeed, Lockwood followed by Anderson argue the removal of masters from the daily working lives of clerks due to the development of large-scale bureaucracies, broke the moral and social checks that had previously impeded the development of independent clerical organisations⁵. Yet the development of bank organisations and bank trade unionism does not follow this pattern, quite the reverse in fact. First, the development of bank organisations effectively stopped in the mid-nineteenth century with no subsequent transition thereafter from a personal to a bureaucratic capitalism. Instead head offices remained intimate places, while branches had always been distant places governed by rules. Second, in England it was possible to begin a career in the 1870s in a bank employing a few dozen

³ P. Joyce (1994)

⁴ *Laws and Bylaws of Scottish Bankers Literary Association*, p, 4

⁵ D. Lockwood, op. cit.; G. Anderson (1976)

staff and end up lost amongst the thousands employed by each of the Big 5 in 1918. Yet what follows identifies bank trade unionism in England as less militant and, in terms of union density, less appealing than it was in Ireland where the banks were far smaller - they employed hundreds not thousands - and more stable. Scotland was situated somewhere between these two poles.

Thus, there is a need to consider factors other than consciousness when seeking to understand the origins, development and meaning of bank trade unionism. To begin with, arguments concerning the consciousness of clerks routinely take for granted the formation and existence of stable, collective institutions organised by and for workers. More recent research has identified these as a historical problem requiring explanation, especially when the postulates of individualism are taken into account⁶. Conventional wisdom favours the idea that collective action was most likely among socially and occupationally homogeneous groups living in self-enclosed communities, where dense ties could be easily sustained and individual behaviour readily monitored and subjected to effective, communal sanctions⁷. Hence collective organisation needs to be approached as a spatial process, which here refers to the geographical and hierarchical space that occurred within bank organisations.

Second, there is the issue of what trade unionism meant. The sociologists Stewart, Prandy and Blackburn provide some help here⁸.

⁶ B. Barnes, op. cit., pp. 175-182; M. Savage, *The Dynamics of Working Class Politics: The Labour Movement in Preston, 1880 - 1940*, (Cambridge: Cambridge University Press, 1987) pp. 12-15 ; D. Gilbert, *Class, Community and Collective Action: Social Change in Two British Coalfields, 1850-1926*, (Oxford: Clarendon Press, 1992), pp. 16-30

⁷ M. Savage, "Space, networks and class formation", in N. Kirk (ed.), *Social Class and Marxism: Defences and Challenges*, (London: Scolar Press, 1995), pp.71-72

⁸ A. Stewart, K. Prandy & R. M. Blackburn, *Social Stratification and Occupations*, (London: Macmillan, 1980), pp. 139-152, in which the failure to be promoted is described as "a most important factor determining a turn to trade-unionism". Again, however, while this and related studies acknowledge the importance of employers, in particular employer recognition, for trade union development, the overall approach tends to focus upon the consciousness of white-collar workers, for example, K. Prandy, A. Stewart & R.M. Blackburn, *White-Collar Work*, (London: Macmillan, 1982). For the importance of employer recognition see G. S. Bain, *The Growth of White Collar Trade Unionism*, (Oxford: Oxford University Press, 1970).

They identify white collar workers (for our purposes clerks, although the terms are not directly interchangeable) who joined unions as individuals who did so only after failing to secure promotion by their own efforts. This is an important insight; it illustrates how the possibility of promotion can influence organisational behaviour. Yet it requires cautious use as it presents trade unions as repositories for personal failure, trade unionism as sour grapes writ large. More importantly, meanings, in this instance of trade unionism, are fluid. Trade unionism was an entirely new development in banking; the Scottish Bankers Association constituted a proactive force intent on changing the content and conduct of long-standing industrial relations arrangements⁹. Thus, the meaning of trade unionism Stewart et al identify required to be made. Barnard's conception of management is valuable here, where shaping and communicating a set of values that underpin the culture of an organisation, defining and assigning meaning to the actions of employees, is a key managerial function¹⁰. This conception of 'workplace culture' sees it as contributing to the effective management of output and labour, in the process it restores employers to the account. The construction of culture in this way is a contested process as it disempowers as it enables, producing boundaries of the unacceptable as well as the acceptable, which can reinforce established distributions of

⁹ On the role of trade unions in labour history more generally see T. Adams, "Market and institutional forces in industrial relations: the development of national collective bargaining, 1910-1920", *Economic History Review*, L, (1997), pp. 506-530; H. Gospel, "Markets, institutions, and the development of national collective bargaining in Britain: a comment on Adams", *Economic History Review*, LI, (1998), pp. 591-596; and T. Adams, "Employers, labour and the state in industrial relations history: a reply to Gospel", *Economic History Review*, LI, (1998), pp. 597-605

¹⁰ C. Barnard, *The Functions of the Executive*, discussed in T. Watson, *Management, Organisation and Employment Strategy*, (London: Routledge and Kegan Paul, 1986), pp.58 - 71; G. Hofstede, "The Usefulness of the 'Organizational Culture' Concept", *Journal of Management Studies*, 23:3 May 1986, pp. 253-257; M. Lebas and J. Weigenstein, "Management Control: The Roles of Rules, Markets and Culture", *Journal of Management Studies*, 23:3 May 1986 pp. 259-272; and J. Melling, "Employers, Workplace Culture and Workers' Politics: British Industry and Workers' Welfare Programmes, 1870-1920" in J. Melling and J. Barry, *Culture in History, Production, Consumption and Values in Historical Perspective*, (Exeter: Exeter University Press, 1992)

authority by excluding certain groups from the means of expression and effective construction of meaning¹¹.

What follows seeks to account for the origins and development of trade unionism in Scottish banking by focusing on four factors; first, what impact geographical and hierarchical mobility within and from banks had upon the possibility of collective action; second, the active role played by employers in defining acceptable forms of workplace behaviour; third, the tactics used by the SBA to secure a legitimate place in the economy of banking; and fourth, the rationale underpinning the decision by staff to participate in trade unionism.

It is argued that before 1914 career mobility and emigration mitigated against trade unionism as did the expectation enforced by senior officials that staff should defer at all times to their superiors. Consequently, the origins of trade unionism are located outside the workplace among the cultural practices of a distinctive minority of staff¹². So long as this remained the case collective organisation remained untenable. However, the First World War brought about significant change. The demands of war engendered an unprecedented willingness to question established forms of authority, while public and state attitudes towards trade unionism also changed. More importantly rapid inflation adversely affected the living standards of all bank staff simultaneously. This common grievance provoked an outburst of trade unionism that culminated in the threat of strike action to force recognition in 1920. This failed largely because of the tactical incompetence of the SBA when confronted by the vigorous opposition of the general managers. The latter involved various forms of intimidation and the manufacture of a newly expansive and inclusive culture. These two approaches together re-established acceptable forms

¹¹ J. Barry and J. Melling, "The Problem of Culture: An Introduction", in J. Melling and J. Barry (eds.), *op. cit.*, pp.5-6

¹² For recent accounts of (lower)middle class politics that reach a similar conclusion see A. Heath and M. Savage, "Political alignments within the middle classes, 1972-89" and P.

of behaviour, in particular they served to define trade unionism as being incompatible with career success. Interest in trade unionism subsequently waned until the 1930s when the SBA experienced a revival that derived from various factors. Emigration reduced dramatically after the First World War creating a more stable and homogenous staff. The numerous points of contact between senior officials and staff created after the First World War had been allowed to lapse, limiting communication between the ranks. However, the ability of trade unionists to exploit the unchecked effects of rising prices again proved key. Senior officials again responded vigorously to the threat of strike action made in 1937. When this collapsed so did interest in trade unionism. Thus, the course of bank trade unionism in Scotland between the wars was determined by the failure of trade unionists to secure recognition from vigorous opponents, in circumstances where staff tended to regard the long-term costs of SBA membership as outweighing any benefits that might accrue.

8.2 The possibility of bank trade unionism before 1914

The development of trade unionism in banking was limited by a concern with status to be sure, as a correspondent of *Bank Notes* explained trade unionism was the "working man's weapon" and therefore inappropriate to the genteel profession of banking¹³. But in itself this is an inadequate explanation. For instance, when a bank trade union was proposed in *Bank Notes* in 1907, a Scottish correspondent dismissed it as something only a few unmarried clerks would ever join¹⁴. This comment indicates the appeal of trade unionism before 1914 was shaped by factors other than status, primarily career concerns and routine financial obligations, which it was regarded as having the potential to adversely affect. The following section examines these other

Bagguley, "Middle-class radicalism revisited" in T. Butler and M. Savage, *Social change and the middle classes*, (London: UCL Press, 1995)

¹³ *Bank Notes*, Aug. 1907

concerns. It considers the possibility of collective organisation in relation to employment in bank ILMs, then the content and conduct of the employment relationship. Finally, the origins of trade unionism are located in the cultural practices of staff outside the office.

First, where individuals are spread over wide areas so that they rarely come into contact with their peers, then it will probably be difficult for them to form the stable bonds and social ties necessary for participation in forms of collective action¹⁵. Exactly this situation arose in banking where most staff were scattered across geographically dispersed branch networks, and pursued "spiralist" careers that involved a fusion of hierarchical and geographical mobility. Driven by ambition or transferred by head office staff put down shallow roots as they moved from parental homes into digs, then from one suburb hopefully onto a larger house or bank flat in the next¹⁶. Much of the culture of bank work developed in response to the emotional consequences of this mobility. Transfers, promotions, resignations and retirements were celebrated at dinners that typically ended with presentations of silver plate or writing paraphernalia paid for by staff collections, while to meet a felt need to remain in contact with or merely aware of former friends and colleagues every staff magazine listed the movement of staff. Even so geographical mobility often proved an isolating process with rural Scotland routinely depicted as a nice place to visit, but a lonely place to work. One account of working in the fictitious town of Entepfuhl described "the blues" of sitting and dreaming in a rural branch, spending afternoons hoping for a transfer to an urban office¹⁷. Another account conveyed much the same sense of isolated boredom until an incident allowed the author to develop a close relationship with the agent¹⁸. The transfer of staff then, fragmented

¹⁴ *Bank Notes* May, 1907

¹⁵ M. Savage and A. Miles, op. cit., p.57

¹⁶ H. Perkin, (1989), pp. 266-270 and H. Wilensky, op. cit., pp. 128-135

¹⁷ RB 147, *Royal Bank Magazine*, May 1895

¹⁸ RB 147, *Royal Bank Magazine*, Jan. 1895

social lives, but could also see staff isolated from their peers develop close bonds with their immediate superiors. However, on balance geographical mobility worked against the formation of stable relationships. When asked for advice on how to establish a bankers' institute, the Scottish Institute secretary suggested involving senior officials because subordinate staff tended to move around too much to be able to attend to any other responsibilities¹⁹.

Career mobility impeded collective organisation in other ways. In his discussion of bank trade unionism Savage argues that promotion meant staff were engaged for much of their careers in a process of becoming, moving upwards between positions and therefore unwilling and unlikely to become attached to any one²⁰. Consequently, they failed to develop a "clerical consciousness". The argument is similar to Edward's who argues the reality (and prospect) of movement through the complex hierarchies integral to ILMs encourages individualistic behaviour incompatible with the formation of a collective consciousness²¹. Both accounts indicate a reduction in the rate or likelihood of promotion is likely to engender a collective consciousness supportive of trade unionism. Indeed, Savage argues that it is the occurrence of such a slowdown, which accounts for the emergence of English bank trade unionism during the first half of the twentieth century²². However, it is apparent (see table 8.1 below) that promotion rates at Royal Bank remained relatively static from the 1900s until the 1930s, except for a short-lived slowdown during the First World War when experienced agents were retained. This finding can be considered broadly applicable to Scottish banking as a whole; as the rate of promotion was influenced by the rate at which the branch networks grew, the expansion of bank organisations between the wars means it is unlikely that in Scotland the rate or likelihood of promotion (see

¹⁹ IOB letter bk. 3, letter dated 20th Apr. 1899

²⁰ M. Savage (1993), p. 197

²¹ R. Edwards, *op. cit.*

Table 8.1. *Time taken from entering the service of Royal Bank to first becoming an agent or joint-agent, c.1900 - 1939 (in years)*

<i>Period when promoted</i>	<i>Avg. time taken</i>	<i>Median time taken</i>	<i>Average age when promoted</i>	<i>Median age when promoted</i>	<i>No. of examples</i>
1900 - 04	27.2	25	43.9	42	15
1905 - 09	28.1	29.5	43.5	44	36
1910 - 14	29.7	31.5	45.9	45	26
1915 - 19	33.3	34	47.1	50	23
1920 - 24	29.3	28	43.9	43	40
1925 - 29	27.4	28.5	42.0	43	28
1930 - 34	31.1	32	46.3	46	27
1935 - 39	27.3	26	42.1	41	15

chapter 6) gave much impetus to the development of trade unionism.

The importance of staff turnover to bank employment has been a key theme throughout the preceding three chapters, and had important consequences for the development of trade unionism. The conclusions reached concerning turnover can be summarised as follows: an increasing majority of those who entered banking left within ten years of whom a majority left to work in banks operating outside Scotland. The resultant attachment of most recruits to Scottish banking was therefore transitory and instrumental. Emigration gave access to greater economic rewards and a style of life thought unobtainable in Scotland. It was also a means of critically responding to perceived social and economic inequalities. In both these ways it lessened the need for other, collective responses. This combination of factors made bank apprentices and young clerks a poor source of trade union recruits as a majority could only be relied upon to leave. Bearing in mind the positions staff held remained closely related to age, the first two columns in table 8.2 below indicate that before 1914 approximately half the Royal Bank branch staff fell into this category. It is likely that this is broadly representative of Scottish banking as a whole.

The content and conduct of the employment relationship also worked against the development of trade unionism. In particular, the

²² M. Savage (1993), p. 197

Table 8.2. *The composition of the branch staff of the Royal Bank of Scotland, 1899-1935*

<i>Position</i>	<i>1899 (%)</i>	<i>1909 (%)</i>	<i>1925 (%)</i>	<i>1935 (%)</i>
agents	23	23	21	19
promoted non-managerial clerks	25	24	21	21
clerks	23	25	37	44
apprentices	28	27	14	11
manual staff	2	1	1	1
lady clerks	0	0	6	4
Total staff	620	741	1,082	1,316

Source: The establishment books of the Royal Bank of Scotland, RB 484/S and RB 528/10

accumulated benefits of bank employment gradually rendered staff unemployable elsewhere. Staff were unattractive to alternative employers because banks were able to spread the cost of incremental salaries and paternalistic benefits out over entire careers. The retirement allowance was particularly important in this respect. A secretary of the Institute suspected that as employer pension contributions were non-transferable and staff did not make any contributions, no other employer would recruit experienced bank staff as they were unwilling to take on board the entire cost of the eventual allowance²³. It is therefore unsurprising that banks operating overseas only recruited Scottish staff aged in their early-twenties to mid-twenties, while traditionally no Scottish bank would employ staff trained by a rival²⁴:

²³ IOB letter bk. no. 5, letter dated 5th Oct. 1910

²⁴ It should be noted banks did occasionally poach staff and that the general managers felt it necessary to agree not to recruit staff from rival banks during the series of mutually agreed branch closures. The reason for this would appear to be that as customers were often attached to staff poaching them could see business being transferred from one bank to another. In England before the advent of arrangements comparable to the general managers' committee legal restraints served a similar purpose, for example, the National Provincial Bank took a clerk in its Cardiff office to court to prevent him becoming manager of the South Wales Union Bank at Cardiff in 1888, despite the clerk offering to pay £1,000 to 'buy his freedom', see "Restraint on Employment - A Word of Caution", in *North British Economist*, 1889, June

"Every Bank in Scotland mostly keeps its own staff and very seldom, except occasionally in the higher appointments, takes in officials trained in another Bank"²⁵.

Bearing all this in mind Robert Service's account of his former colleagues waiting for their pension, suggests staff were mindful of the benefits of their position and disinclined to indulge in any activity likely to threaten it. However, the behaviour of Robert Service and the advice he received from his agent reveals the obedience, deference and loyalty, which staff displayed were the outcome of a pragmatic exchange, the terms of which were learned during the course of each career. The General Manager of the Glasgow Savings Bank bluntly conveyed this and the particular labour market position of staff when he advised a clerk in his 30s who threatened to resign after arguing with a colleague, to stop being so stupid because he was unlikely to find another job that would ever pay him as much as he already received²⁶.

This meeting was notable in itself as senior officials typically mapped out subordinate careers without discussion²⁷. Seated behind desks, agents and managers would summon subordinates to inform them of their next transfer, promotion or salary increase. Staff made little or no direct contribution to what were often life changing events. Instead, they were obliged to defer to their superiors, trusting them and the banks they worked in (the lists of staff willing to work in London compiled at Royal Bank in the 1900s were a modest exception to this²⁸). The following quote taken from a letter sent by the Glasgow Cashier of Royal Bank to Alexander Wright exemplifies this process:

"The proposed scheme for the staff here will, I think, be acceptable to the staff themselves. Possibly Mr. (staff) may feel disappointed that he is to take charge of the ledger department instead of the securities, but should he

²⁵ IOB letter bk. no. 3, letter dated 4th Jul. 1898 and letter bk. no. 4, letter dated 29th Sep. 1904

²⁶ M. Taylor, *op. cit.*

²⁷ see for example R 61/5, letter no. 721 dated 10th Oct. 1927 and RB 94/6, letter no. 6961, letter dated 1st Oct. 1929

²⁸ Establishment books of the Royal Bank of Scotland, RB 484/S

refer to the matter I feel that I shall be able to satisfy him that all is for the best"²⁹.

Staff did as they were told. The following poem by a clerk conveys the outcome of this ascriptive culture:

"The bank clerk leads a quiet life
He sits upon a stool,
He generally takes a wife
And always acts by rule
And when his sons are aged sixteen
Within a bank they too are seen"³⁰.

However, no deviation from this pattern was tolerated. The English bank clerk who published a pamphlet in 1902 critical of bank directors and suggesting the formation of a union, the first evidence of any interest in bank trade unionism, was dismissed for his troubles³¹. However, the predominant fear was not of dismissal, rather it was of being overlooked at the next annual pay round or for a promotion, losing out on the incremental improvements central to bank employment.

The operation of bank ILMs and the conduct of the employment relationship, then, presented substantial barriers to trade unionism. Unsurprisingly, the origins of trade unionism are to be found outside work in the cultural practices of staff where it began as an expression of firmly held socialist beliefs. Although a socialist bank clerk is something of an oxymoron, studies of early socialist organisations have repeatedly identified a significant proportion of clerks and lesser professionals among their members³². Before 1914 British socialism was a broad based cultural activity, a religion in Yeo's account complete with socialist

²⁹ RB 61/5, letter no. 780, dated 5th Nov. 1927

³⁰ *Bank Notes*, Aug. 1906

³¹ R. M. Blackburn, *Union Character and Social Class*, (London: Batsford, 1967), pp. 133-134

³² C. Levy, "Education and self-education: staffing the early ILP", in C. Levy (ed.), *Socialism and the Intelligentsia 1880-1914*, (London: Routledge and Kegan Pal, 1987); W. Knox, "Introduction: A Social and Political Analysis of Scottish Labour Leadership Between Two World Wars", in W. Knox, (ed.), op. cit., pp. 15-22

churches, Sunday schools, choirs, cycling clubs and reading groups³³. Waters identifies the clerk as the typical believer and suggests they influenced the character of the various activities³⁴. Clerks were ideologues and organisers as well as members, the most famous being Sidney Webb, the hairdresser's son and former civil service clerk, who became a leading Fabian Society member and Labour government minister. The various tracts and pamphlets published by the Fabian Society bring us back to our subject as they profoundly influenced A. B. MacKay, the dominant figure in Scottish bank trade unionism between the wars.

MacKay was the son of a parish schoolmaster and had neither a working class upbringing nor life. Rather, his socialism was a moral and intellectual response to those inequalities he understood society possessed³⁵. His banking career began at the age of fifteen in 1897 when a family friend secured him a stool in the Glasgow Savings Bank. MacKay was also an ardent Christian and "joiner" of organisations. In 1901 he became a deacon of his local church where in 1908 he found himself unwillingly speaking in favour of Fabian socialism at a YMCA literary society debate. MacKay lost the debate, but was converted to socialism. In this instance career mobility facilitated a political career as MacKay subsequently moved to Glasgow where he joined an already established circle of like-minded associates, becoming one of the few Labour Party activists to speak out publicly against the First World War in 1914. MacKay's political career peaked during the war when he chaired a public debate between Ramsay MacDonald and Willie Gallacher. After the war he stood unsuccessfully as a Labour candidate in council and parliamentary elections, however, by this time trade unionism had become the mainstay of his political life.

³³ S. Yeo, "A New Life: The Religion of Socialism in Britain 1883-1896", *History Workshop Journal*, no.3, 1977, pp.5-56; H. Pelling, *Origins of the Labour Party*, (Oxford: Clarendon Press, 1965)

³⁴ C. Waters, *British Socialists and the Politics of Popular Culture*, (Manchester: Manchester University Press, 1990)

The early life of James MacDougall is similar in many respects to MacKay's, but illustrates the potential cost of political beliefs and the constraints, which managerial authority imposed on trade unionism³⁶. Aged fourteen MacDougall joined the Pollockshaws Progressive Union where he met the Marxist educator John MacLean, who he subsequently joined in the Social Democratic Federation. MacDougall was also the son of a former Pollockshaws Lord Provost, which made him an ideal Clydesdale Bank recruit. However, banking and socialism proved incompatible when a local businessman complained to the agent about his new apprentice's political activities. Despite receiving repeated warnings from his father and the agent, MacDougall persisted with his politics and there were rumours he was intent on establishing a clerical trade union branch in the Bank. At this MacDougall was dismissed. In other trades, heavy engineering, for example, political activism intensified already endemic cyclical unemployment:

"The socialists were always the first to be paid off. In a place like Howden's there would be six or nine months work followed by a slack period... They were good skilled workers and when trade was busy they would be taken on again; but at the next pay-off it would be they who went first again"³⁷.

However, when MacDougall left the Clydesdale Bank he permanently left Scottish banking and subsequently meandered through a succession of poorly paid jobs before ending up a clerk in a jam factory. In other words clerks risked paying a higher price for their political beliefs than the skilled working men who dominated Scottish trade unionism and socialist politics before 1914.

³⁵ A. B. MacKay, "Autobiography of A. B. MacKay", UGD 129/7/1/32

³⁶ The life of James MacDougall is described in W. Knox, op. cit. For additional details of his dismissal see *Bank Notes*, Nov. 1909; A. McIvor, "Were Clydeside employers more autocratic?: Labour management and the 'labour unrest', c. 1910-1914", in W. Kenefick and A. McIvor, (eds.), op. cit., p. 48; and A. McIvor and H. Paterson, "Combating the Left: Victimisation and Anti-Labour Activities on Clydeside, 1900-1939", in R. Duncan and A. McIvor, (eds.), *Militant Workers: Labour and Class Conflict on the Clyde, 1900-1950*, (Edinburgh: John Donald, 1992), p. 131

³⁷ Quoted in A. McIvor and H. Paterson, op. cit., p. 130

Thus, bank trade unionism began in debating societies, church halls and public reading rooms as an ideal then injected into the workplace. In Weber's terms MacDougall's and MacKay's beliefs were *wertrational*: "determined by a conscious belief in the value for its own sake of some ethical, aesthetic, religious, or some other form of behaviour, independently of its prospect of success"³⁸. This was a source of strength and weakness. Earnest idealism informed then sustained the proposals to form bank trade unions during the 1900s and 1910s. At the same time the political ideals espoused by MacDougall and MacKay marked them out as the kind of cranks career guides advised staff to avoid. Moreover, their intellectual concerns were alien to the self-image of banking as a predominantly practical profession. While they chaired political meetings their peers engaged in more popular leisure pursuits. If staff, particularly agents, insisted on taking an interest in politics they were advised to adopt those of customers not their conscience if they hoped to become a leading member of the rotary associations, golf clubs or any of the other local bastions of conservative Conservatism (or Liberalism, depending on location) they joined in search of business.

Thus, this period did not see what Savage describes as an upturn in clerical unrest; the organisations formed were too ephemeral to warrant such a grand description³⁹. The first of these emerged from the magazine *Bank Notes*, started in 1905 as the "organ of banking throughout the British Isles, India and the Colonies". In 1906 the editor revealed *Bank Notes* was the first step towards a Federation of British Bank Clerks he invited his readers to join⁴⁰. When less than a thousand responded the Federation was quietly dropped and *Bank Notes* became the "Official Organ of the United Bankmen's Club". In Sheffield a National Association of Bank Clerks was formed in 1914, but collapsed the following year when many of its younger members left to serve in

³⁸ Quoted in D. Gilbert, op. cit., p. 29

³⁹ M. Savage, (1993)

⁴⁰ *Bank Notes* Feb. Apr. 1906, and May. 1907

the armed forces. Trade unionism clearly took hold during this period, but as an ideal lacking firm foundations or widespread support.

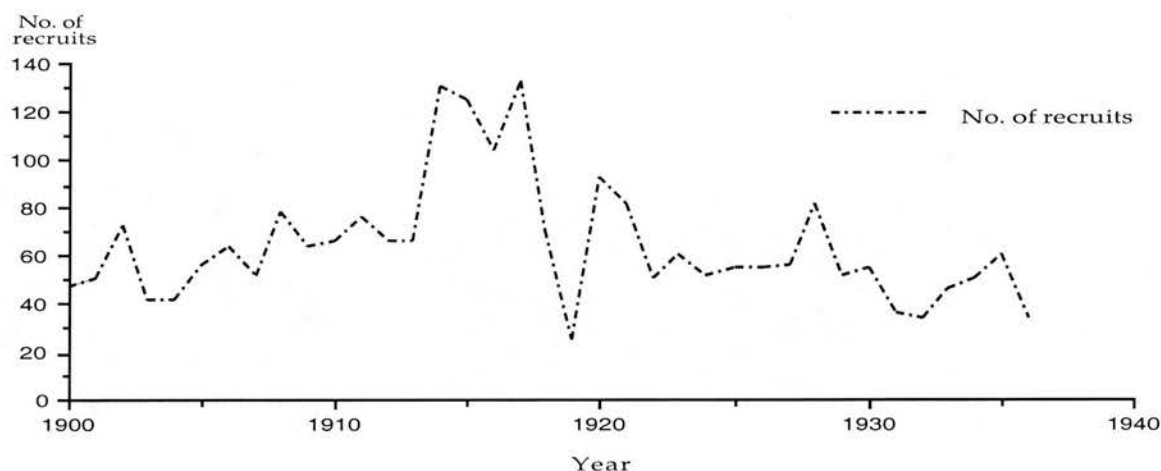
8.3 The First World War, inflation and the state

Before 1914 there was no bank trade union in Scotland. In 1918 the SBA was established and by the summer of 1920 claimed over 50 percent of all those working in Scottish banking as members, a majority of whom subsequently voted in favour of industrial action in support of a claim for recognised collective bargaining rights. The following section examines this monumental transformation in the conduct, content and form of industrial relations. It describes how the demands of war produced a staff more willing to question traditional hierarchies and amenable to trade unionism. However, it is argued rapid wartime and post-war inflation was the most significant determinant of trade union support. Confronted by this and the tardy response of employers' bank ILMs effectively broke down, leaving inflation to strip away decade's worth of incremental increases and promotions. In this way inflation overcame the hierarchical, generational and geographical divisions that had impeded collective action at a time when the traditional safety valve of emigration temporarily broke down. The state was also a factor. The SBA used the joint negotiating councils set out in the 1917 Whitley Report as a model for collective bargaining machinery in banking, while Ministry of Labour officials became involved in its attempts to secure recognition.

i) Attitudes and the First World War

Waites describes how the sacrifices ordinary people made during the war compared to the profiteering of an affluent few encouraged a greater willingness to challenge the established forms of authority on

Figure 8.1. *Annual recruitment at the Royal Bank of Scotland, 1900-1936*



which institutional and social life in Britain was based⁴¹. During the war trade unions won substantial improvements for their members in pay and conditions, contributing to the erosion of those differentials that had existed between manual and non-manual workers before the war as well as an example of how these might be restored. Furthermore, Waites explains this gave rise to a sense among the lower reaches of the middle classes of being crushed between capital and labour and of being excluded from the polity due to the close links formed between trade unions, big employers and the state - in other words an antipathetic response to the beginnings of the corporatist state charted by Middlemass - during the First World War⁴².

Divining such a change in attitudes amongst bank staff is no easy matter, but there are definite signs of discontent. Due to the youthful nature of bank staff many - approximately two thirds of Royal Bank staff - went to war⁴³. Recruitment increased to replace them (see the example of Royal Bank depicted in figure 8.1 above), but as new recruits

⁴¹ B. Waites, op. cit., pp. 47-49

⁴² ibid.; K. Middlemass, *Politics in Industrial Society*, (London: Andre Deutsche, 1979)

⁴³ N. Munro, op. cit., p. 318

came of age they too left leaving banks perpetually short-staffed and by 1915 staff were complaining about their working conditions in the *Scottish Bankers Magazine*⁴⁴. Overwork took numerous forms. In his letters the Royal Bank Hunter Square agent complained to customers and friends of working long hours at the counter, on the ledgers and at his desk, and of struggling to recruit and retain staff he was continually having to train⁴⁵. Eventually lady clerks were recruited from 1917 in much the same way as their male counterparts. This was dilution, but on a strictly temporary basis. The men were promised (and subsequently given) their positions back when they returned. With this agreement in place, and after some initial misgivings, lady clerks quickly became a welcome source of assistance. Widespread industrial unrest after the First World War prompted fears of class war. The Hunter Square agent wrote:

"I hope things may quiet down soon. The working classes are getting out of hand. They will kill the goose but they will unfortunately do for us also"⁴⁶.

He described a letter received from the National Laundry Workers Union on behalf of his cleaner in the following terms:

"I would not like to be considered hard, but I think to want the wages to double is too much, also the dictation of the union is unpleasant"⁴⁷.

But, it was not only capital and labour in conflict; subordinate staff were also restless. A general secretary of the Civil Service Clerical Association between the wars described the effect of military service on clerks:

"Contact with workers of all kinds of industries in the Army broadened their outlook. When the war ended they returned full of the spirit of revolt"⁴⁸.

Scattered comments in the Hunter Square agent's letters indicate that staff who returned exhibited an unwelcome surliness. Furthermore, the agent's comment that of the five whom returned to his branch "there

⁴⁴ See for example *Scottish Bankers Magazine* during 1915

⁴⁵ B561/4/2, letters dated 10th May 1915 and 4th Apr. 1916; B561/3/4, letters dated 15th Oct. & 2nd Nov. 1915, 9th May & 24th Jul. 1917 and 9th Jan. 1918

⁴⁶ B 561/3/4 letter dated 12th Feb. 1919

⁴⁷ B 561/3/8, letter dated 10th Sep. 1919

⁴⁸ W.J. Brown, *preface* in F. D. Klingender, *op. cit.*

was only one I would care to have here again", suggests a degree of mutual antagonism⁴⁹. However, this willingness to challenge the previously polite authority of the banks did not automatically translate into mass support for trade unionism. Above all it was the effects of rapid inflation during and immediately after the war that drove staff towards the SBA.

ii) Inflation

Inflation was a profoundly affecting event. Indices produced by Feinstein depict average earnings increasing from 100 in 1914 to 209 in 1918, and the cost of living rising from 100 to 210⁵⁰. Full employment allowed the unemployed to move into employment and the low paid to move into more financially rewarding occupations. Wage increases, paid overtime, night work, bonuses and enhanced piece rates enabled the average worker's real income to keep pace with rising prices. Few of these options were available to bank staff, yet the response of the general managers was to wait and see. Finally, temporary bonuses were introduced in 1916, an ad-hoc concession granted to avoid permanently increasing staffing costs in expectation of a swift return to pre-war conditions⁵¹. The bonuses continued throughout the war, but remained subject to annual review. This reluctance to permanently raise salaries gained an uncomfortably comic element when Royal Bank staff were allowed to use the ground behind the head office to grow their own vegetables, an inflation proof gesture incompatible with the greater demands being made on their time⁵².

The ILMs that had insulated staff from the vicissitudes of the free market for decades proved too rigid to respond to the rising cost of

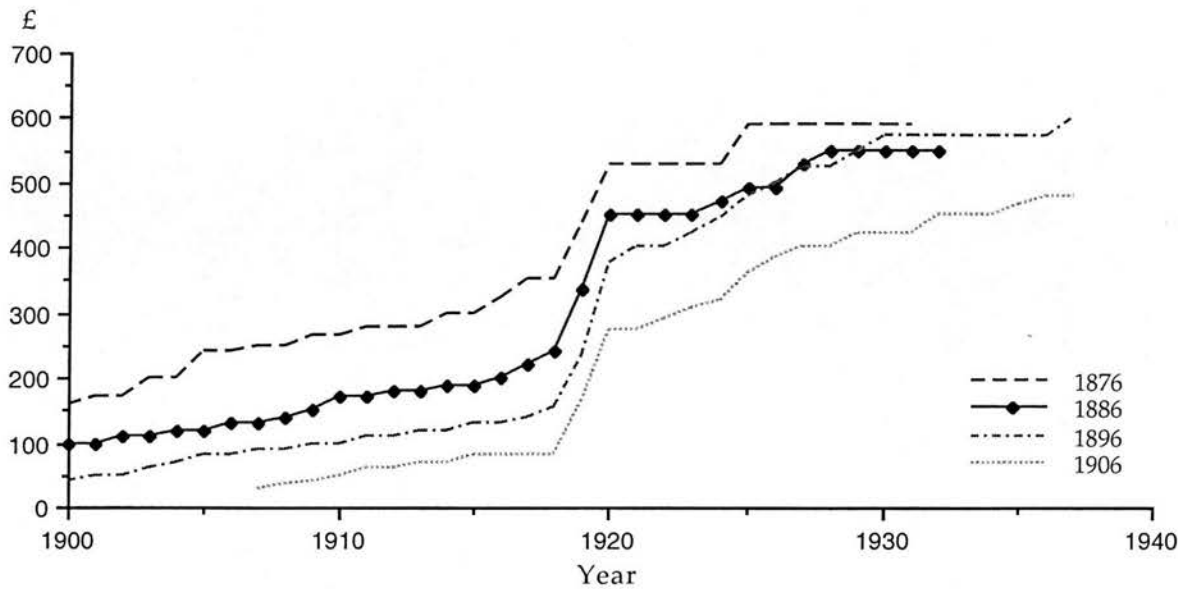
⁴⁹ B 561/3/4, letter dated 17th Jan. 1919. In one incident a clerk resigned without giving notice much to the agent's displeasure. The agent responded by stating "I think he can leave when I return from the weeks holiday I am getting", in B 561/3/8, letter dated 9th Aug. 1919

⁵⁰ For a succinct discussion of living standards see S. Pollard (1983), p. 43

⁵¹ Each bonus, concession or any other measure intended to benefit staff was announced in the *Scottish Bankers' Magazine*, for instance, one of the first announcements came in December 1916 when Royal Bank staff were informed they were to receive a Christmas bonus equal to 10 per cent of their salaries (if earning less than £500)

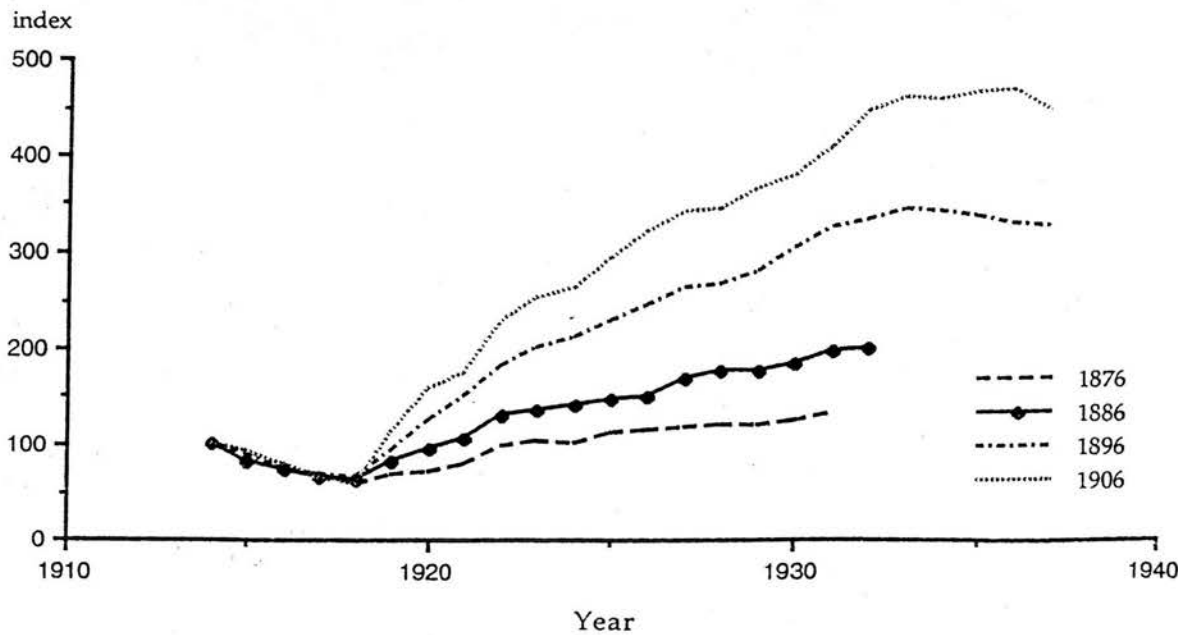
⁵² S. G. Checkland, op. cit., p 565

Figure 8.2. *annual earnings of 4 subjects who entered Royal Bank in 1876, 1886, 1896 and 1906, c. 1900 - 1937*



Source: the staff books of the Royal Bank of Scotland

Figure 8.3. *Annual earnings of 4 subjects who entered Royal Bank in 1876, 1886, 1896 and 1906 adjusted using the Ministry of Labour wholesale price index, c. 1914-1937*



Source: the staff books of the Royal Bank of Scotland

living. The differentials, which the social superiority of clerks rested exchange for loyal and faithful service were wiped out. Those nearing the end of their working lives were perhaps worst affected as they faced an uncertain future after the salaries their retirement allowances were based upon fell sharply in value (see figures 8.2 and 8.3 above).

Throughout Britain the original proponents of trade unionism re-emerged to take advantage of mounting staff discontent over salaries and conditions. In February 1918 the founders of the NABC regrouped to form the Bank Officers Guild (BOG). The Scottish Bankers Association, open to all full-time staff followed in November 1918 using the constitution of the BOG as a guide⁵³. The basic platform of the SBA then and for the rest of the period between the wars was the achievement of recognised collective bargaining rights, the introduction of national salary scales, pensions as of right and an end to the employment of part-time agents. A. B. MacKay was an early SBA member and quickly became the Glasgow Savings Bank staff representative⁵⁴. The public meetings he and others organised across Scotland drew enthusiastic crowds; for instance, at a meeting of British Linen Bank staff in Glasgow 37 of the 40 staff who attended enrolled. The six hundred members who attended the first SBA annual meeting in March 1919 voted for it to register as a trade union and in April a solicitor was appointed as its first general secretary⁵⁵.

The rapid progress of the SBA galvanised the general managers into action. The bonuses were continued and, more importantly, staff began receiving permanent salary increases. Royal Bank staff benefited from an extra salary round in August 1919 followed by the usual round in December. That the extra round was intended to appease staff became apparent when the Cashier made an unprecedented enquiry to find out what a certain clerk, a member of the SBA's Edinburgh

⁵³ SBA minute bk. 1, 26th Nov. 1918

⁵⁴ SBA minute bk. 1, 7th Feb. 1919

⁵⁵ SBA minute bk. 1, 28th Mar. and 9th Apr. 1919

executive, thought of the increase⁵⁶. With some justification the SBA claimed the increases were a response to the indirect pressure its existence brought to bear, indirect because no general manager would have any formal dealings with trade unionists. Unofficially, the general managers made themselves aware of who the leading trade unionists were. In one incident the Royal Bank board agreed to meet a staff delegation that included known trade unionists. First a round of salary increases was approved then the delegates were ushered in and informed their presence was unnecessary⁵⁷. The trade unionists present thought otherwise and embarked on a prolonged campaign to secure recognition.

iii) The State

The state via the 1917 Whitley Report provided a blueprint for what recognition would entail. The report envisaged industrial unrest being replaced by state sanctioned arbitration, the joint negotiating councils it proposed, made up of employers and employees would ensure "the progress and well-being of the trade from the point of view of those engaged in it, as far as this is consonant with the general interest of the community"⁵⁸. Established trade unions were suspicious of the report, regarding its councils as a threat to their existing collective bargaining rights. In banking and other sectors where there were no established trade unions let alone collective bargaining rights the report and accompanying involvement of the Ministry of Labour were instead seized upon as a means of achieving recognition.

In banking the state origins of the report were used to confer legitimacy upon claims for recognition and to encourage staff to join. For instance, the BOG issued a circular explaining "(t)he government

⁵⁶ B 561/3/8, letters dated 5th and 6th Aug. 1919

⁵⁷ Royal Bank of Scotland Jot Minute Book (uncatalogued), 24th Jun. 1920

⁵⁸ quoted in K. Middlemass, op. cit., p. 137; R. Lowe, *Adjusting to Democracy: The role of the Ministry of Labour in British Politics, 1916-1939*, (Oxford: Clarendon Press, 1986), pp.78-95; and T. Adams, op. cit., pp. 515- 516

have definitely accepted the principle that employees should be organised into associations to represent their point of view"⁵⁹. In Scotland the SBA commitment to Whitleyism led to the executive involving the Ministry of Labour in its campaign for recognition and in January 1919 it held the first of numerous meetings with a Ministry official⁶⁰. The official made clear the government could persuade, but it could not compel employers to agree to a Whitley Council.

This was something no general manager would agree to then or for the rest of the period. In May 1919 a Ministry of Labour official passed on the SBA's request for recognition to the directors of the Scottish banks. The directors and the general managers refused to recognise the SBA or have any dealings with it. The letter the Ministry received from Alexander Wright was typical of the response (the official who read them, unaware of the General Managers' Committee, noted the uniformity of the replies)⁶¹. Wright argued against the establishment of a Whitley Council largely on the basis of propriety, ignoring the establishment of a civil service council by explaining that they were only suitable for large industrial concerns. Nor was Wright aware of any felt need for change; the existing arrangements worked well enough and he was always willing to listen to any reasonable request from staff. Given this it was simply "inappropriate" for the SBA to claim any right to "interfere" in the employment relationship, as this would only cause "trouble" and "confusion". The general managers were not wholly opposed to change, but only if it was on their terms. One

⁵⁹ LAB 2/646/2, reference to BOG circular dated 14th May 1918

⁶⁰ SBA minute bk. 1, 23rd Dec. 1918, 4th & 21st Jan. 1919

⁶¹ The SBA executive regarded the general managers as the strongest opponents of recognition and it is probably for this reason that they made their first formal request for recognition to the directors of the banks instead; the general managers regarded this as an insulting attempt to go behind their backs. Although it is doubtful an initial appeal to them would have been any more successful; this action exemplifies an apparent unwillingness on the part of the SBA executive to inform Ministry officials about the differences between banking in England and Scotland, the first of many tactical errors that in this instance left Ministry officials to find out for themselves when presumably they could have been engaged in more productive activities see LAB 2/646/3, 1919 "Scottish Bankers Association requests the Assistance of the Ministry of Labour with a view to the formation of a J.I.C."; LAB 2/646/5, entry dated 3rd Jan. 1920

suggestion was to establish a committee of junior staff to assist in managing the Institute⁶². The committee would be wholly consultative and have absolutely no powers; anything else was an unwanted, unwelcome and irrelevant infringement upon managerial authority.

8.4 Recognition: trade union tactics and strategic opposition

i) Tactics

The SBA was part of a broader upsurge in public and private sector clerical trade unionism after the First World War⁶³. To understand the tactics it adopted it is necessary to consider how bank trade unionism developed in Ireland and England and Wales as events in these other locations influenced and informed the actions of the SBA and the Scottish general managers. The distinction between tactics and strategy is important here, it signifies the frequent shifts in approach taken by the SBA as opposed to the sustained and coherent opposition of the general managers.

a) Ireland

The Irish Bank Officials Association (IBOA) was more militant, political and ultimately more successfully than its English or Scottish counterparts⁶⁴. The IBOA achieved and retained formal collective bargaining rights and enjoyed a consistently higher level of union density than the BOG or SBA ever experienced.

Before 1918 Irish bank salaries were the lowest in the British Isles, after recognition they remained consistently higher than in Scotland. This was reason enough for recognition to be refused. However, more relevant to our present purposes, the managers and directors of the Scottish and English banks were aware that recognition in Ireland would challenge the contention that trade unionism was inappropriate

⁶² IOB minute bk., 10th Nov. 1921

⁶³ F. Klingender, *op. cit.*, pp. 25-56; D. Lockwood, *op. cit.*, p. 140

to banking. To prevent events in Ireland becoming an example to staff elsewhere the most vigorous opponents of trade unionism in Ireland were the directors of banks then recently acquired by English banks⁶⁵. However, the threatened suspension and dismissal of trade unionists was perceived as English led opposition and lent substance to the nationalism that was already a part of IBOA tactics (it was in the habit of holding meetings immediately after nationalist groups in halls still bedecked in the previous occupants' regalia)⁶⁶. There was also a socialist element to the IBOA that produced several manifestos calling for bank nationalisation. Finally, the executive of the IBOA chose to harness the militancy of its members immediately after the war. At public meetings the membership drove the industry towards industrial conflict, demanding the right to take a strike ballot. The executive complied, regarding any other course of action as likely to frustrate, even alienate members while strengthening the will of those directors intent on refusing recognition.

The IBOA was socialist, nationalist and led by an executive that sought to harness the militancy of its members. In November 1919 it counted 3,000 of the 3,700 staff working in the Irish banks as members⁶⁷. Recognition was finally conceded in December 1919 after the membership of the IBOA voted overwhelmingly in favour of a strike.

b) England

Bank trade unionism began in England where the BOG was the first of the three unions to be formed. The Guild adopted its own set of tactics: politics were eschewed; it was led very much from the top; and, despite the inclusion of a strike clause in the Guild's constitution, the

⁶⁴ A serialised history of the IBOA was published in the *Scottish Banker* throughout most of 1930

⁶⁵ On Irish bank affiliations see W.F. Crick and J. E. Wadsworth, op. cit., pp. 348-365

⁶⁶ LAB 2/646/2, entry dated 8th Jul. 1919; SB Jan. 1920

⁶⁷ LAB 2/646/1, entry dated 17th Nov. 1919

executive sought to avoid militant action in favour of portraying itself as a moderate organisation. The Guild failed to secure recognition.

The resolutely apolitical stance adopted by the Guild saw it approach MPs from all three parties to secure parliamentary representation. It also remained outside the TUC because of the latter's close Labour Party links⁶⁸. Finally, the first BOG President regarded the politics of the IBOA with distaste, and went so far as to inform Ministry of Labour officials about the activities and political backgrounds of leading Irish bank trade unionists.

The Guild adhered to achieving recognition in accordance with the Whitley Report: recruiting a majority of staff as members after which recognition would be automatically granted. To do so the executive worked closely with the Ministry of Labour, whereas in Ireland events moved too rapidly for civil servants to have much involvement. There was an element of faith to this: in the willingness and ability of the Ministry of Labour to assist; in being able to recruit enough members; and in recognition being granted without the additional threat of a strike. However, industrial action in England was not a plausible option. In December 1919 union density in England and Wales was only 25 per cent compared to 81 per cent in Ireland⁶⁹. But, a strike was not seriously considered either. Indeed, the Guild's executive was opposed to industrial action. When the IBOA requested support in the run up to its threatened strike - to help prevent the importation of strike-breakers - the Guild refused, then acted to restrain its more militant members⁷⁰. In May 1920 Welsh Guild members (1,785 of the

⁶⁸ R.M. Blackburn, *op. cit.*, pp. 134-135

⁶⁹ A basic problem with figures detailing union density is that no one knew exactly how many were employed in banks operating in England, Scotland, Wales or Ireland. For example, in November 1919 the Ministry of Labour estimated 70,000 worked in banking in England, six months later this had been reduced to 40 to 50 thousand. LAB 2/646/1, figures derived from an entry dated 9th Dec. 1919

⁷⁰ LAB 2/646/1, see Memo. dated 25th Nov. 1919 in which Ministry officials identified the BOG as a restraining influence on the Irish and Scottish trade unions.

2,000 bank staff employed there) demanded a strike ballot⁷¹. The executive refused, fearing staff would be brought in from Liverpool where the Guild had few members. Instead, it recommended concentrating upon recruiting more members leaving Welsh trade unionists to discuss the methodology of industrial action. However, throughout England and Wales trade unionists, staff, managers and directors acted with one eye on the increasingly tense situation in Scotland.

c) Scotland

The Irish and English bank trade unions marked out much of the terrain on which the campaign for recognition occurred in Scotland. To this Scottish trade unionists added a visionary attempt to establish a clerical alternative to the TUC. Apart from this the SBA vacillated between the politicised militancy of the IBOA and the moderate appeal of the BOG, displaying a tactical incompetence exacerbated by ideological divisions and a woefully bad sense of timing. The inability to adhere to a coherent strategy carried over into a failed attempt to force recognition via the threat of industrial action.

At first the SBA adopted the apolitical reliance on persuasion favoured by the Guild. The SBA also approached members of all three political parties for parliamentary representation and remained apart from the TUC and STUC. Again this has been explained in terms of the status driven desire of clerks to avoid any association with the working class. There is something to this, but not enough. It is implausible to disassociate mainstream trade unionism at this time from the Labour Party. Yet politics of any kind remained incompatible with the occupational identity of banking. Moreover, setting aside the limited

⁷¹ Events in Wales are described in LAB 2/646/4, see in particular a memo dated May 1920 and entries dated 25th & 31st May, 3rd & 6th Jun. 1920

electoral support for the Labour Party between the wars⁷², even a cursory examination of its policies reveals that they had no obvious appeal to bank staff, quite the opposite in fact. In local government the Scottish Labour Party was committed to municipal banking and introduced small schemes in a number of towns in direct competition with the banks, indeed, it required an act of parliament to prevent a Glasgow municipal bank being formed in 1934⁷³. Nationally, despite its appeal to workers by hand and brain, clause 4 of the Labour Party constitution threatened to nationalise banking during a period of state sponsored rationalisation. Hence, there was scope for Labour policies to be perceived as curtailing the expansion of the banks and branch networks and therefore reducing the possibility of promotion.

Despite the careful concern with avoiding any overt political allegiances, the politics of the SBA remained enough of an issue for the executive to make regular public pronouncements disavowing any political affiliations. Yet the SBA remained viewed by staff as a socialist organisation. Again this can be explained in terms of misguided clerical sensibilities, however, a subsequent policy memo set out more substantive reasons; bank staff knew well enough before they joined that most of the Association leaders were avowed socialists⁷⁴. For instance, reports of MacKay's political career in the union journal *The Scottish Banker* made clear where his political sympathies lay while numerous contributors used a distinctively Marxist terminology to identify themselves as members of a professional class who, as wage slaves of the middle class, needed a strong union to obviate the exploitation of their labour and appropriation of surplus value⁷⁵.

⁷² R. McKibbin, "Class and Conventional Wisdom: The Conservative Party and the 'Public' in Inter-war Britain", in R. McKibbin, (ed.) *The Ideologies of Class*, (Oxford: Oxford University Press, 1991)

⁷³ W. Hamish Fraser, "Labour and the changing city", in G. Gordon, (ed.), *Perspectives of the Scottish City*, (Aberdeen: Aberdeen University Press, 1985), p. 176

⁷⁴ SBA minute bk. 5, policy memorandum dated November 1936

⁷⁵ See for example *Scottish Bankers Association Bulletin*, Dec. 1920 and *Scottish Banker* for Nov. 1922, Jan. and Oct. 1924, Nov. 1927 and Jan. 1934

This Marxist analysis sought to politicise the workplace, using a language of class to bring into being those antagonistic relations, which were understood to originate in irrevocably incompatible economic interests. The identification of bank staff as part of a distinctive class of professional workers also underpinned the decision to avoid formal links with the labour movement; an approach justified by actual contacts made with the TUC. In 1919 an SBA delegation visited the TUC in Glasgow with the intention of "strengthening our position as a fighting machine and gaining their influence on our behalf". The delegation was advised to avoid a strike at all costs and join the National Union of Clerks instead⁷⁶. Rather than disband the SBA led attempts to create a National Federation of Professional Workers - a white-collar TUC sensitive to the particular demands of clerical trade work, which it was felt the TUC was incapable of meeting⁷⁷. Links were formed with other professional workers in insurance, local government and shipping. However, once the initial outburst of white-collar trade unionism that followed the First World War faded away the NFPW disappeared. Despite this the SBA remained committed to establishing links with other organisations and was instrumental in the establishment of the International Federation of Bank Officials Associations, a reflection of MacKay's internationalism during the First World War.

Turning from the grandiose to the practicalities of gaining recognition the executive divided over how to achieve this goal. It supported the Irish strike, but opposed similar action in Scotland. This was despite the will of the membership. A Ministry official who attended a meeting in Glasgow in August 1919 described how:

"The situation in Scottish banking is becoming somewhat strained ... The temper of Scottish bankmen especially in Glasgow has been steadily

⁷⁶ SBA minute bk. 1, 9th & 11th Sep. 1919

⁷⁷ SBA minute bk. 1, 22nd Nov. 1919

hardening the past 6 months, and there is a considerable element prepared to go on strike"⁷⁸.

The chairman of the meeting repeatedly tried to discuss other matters, but the possibility of strike action was continually raised from the floor. Afterwards the executive acknowledged this by demanding recognition within two weeks and the implementation of the salary scale it had devised within a month⁷⁹. It was unclear what would happen if the ultimatum was ignored. When it was the SBA took no further action. This was the worst of both worlds: the SBA had established itself as a passive militant, reassuring to general managers and frustrating to members.

MacKay now intervened, arguing at a branch delegates meeting in January 1920 that the choice was between peaceful persuasion, which he regarded as having failed, or forcible action, which he favoured⁸⁰. The delegates voted unanimously in favour of forcible action and MacKay was elected SBA president at the AGM in March where speaker after speaker from the floor called for a strike. Under a new president the executive began arranging a strike ballot, informing the Ministry of Labour, the press and the general managers of their decision⁸¹. The possibility of a strike, discussed openly since August 1919, did not prevent staff from joining the SBA. During the ballot the membership increased from 4,638 to 4,989, yet the executive doubted those who pledged to strike would actually come out. To remove any doubt it was decided that only an eighty per cent vote in favour of a strike would be binding⁸². However, no plans were made in the event of the strike going ahead. There was no agreed timetable, no wish to disrupt the provision of banking services (for this reason as in Ireland agents were excused from the strike) and no discussion of strike pay, publicity, sloganeering or picketing. It appears that the executive hoped that as in Ireland, the vote itself would be a sufficient display of intent. The strike pledges were sent out in May and the count set for June. The result was

⁷⁸ LAB 2/646/3, entry dated 21st Aug. 1919

⁷⁹ SBA minute bk. 1, 7th, 14th & 21st Aug. and 9th Sep. 1919

⁸⁰ SBA minute bk. 1, 24th Jan. 1920

⁸¹ S. G. Checkland, *op. cit.*, p.584

⁸² SBA minute bk. 1, 25th Apr. 1920. A more cautious member of the executive suggested 90 per cent, even higher than the 75 per cent level originally set out in the BOG constitution

Table 8.3 *Votes in favour of the SBA strike, as of the 6th June 1920 and exclusive of agents*

<i>Bank</i>	<i>Votes</i>
Bank of Scotland	560
Royal Bank	525
British Linen Bank	510
Commercial Bank	426
National Bank	407
Union Bank	215
Clydesdale bank	425
North of Scotland Bank	406
Savings banks	122
Total	3,596
Withdrawals	30
Final total	3,566
or 77 % of eligible members	

Source: *SBA minute bk. 1, p.273*

a black farce that set the terms of industrial relations until after the Second World War.

Despite having called the ballot the SBA executive remained deeply divided over industrial action. Moreover, these divisions having previously delayed the possibility of strike until a point when its support was less assured, resurfaced as the results were announced, plunging the union into disarray. The SBA was already a victim of its own success when the ballot was called. Staff were already receiving the various bonuses and additional salary rounds granted following the formation of the SBA, questioning the need for a strike. The temporary lifting of age restrictions on entry to the service of banks operating overseas meant the disenchanted could emigrate once more and in an unusual tactic the SBA set up a bureau to help members find positions overseas. Furthermore, the timing of the ballot appears to have been decided solely on the basis of MacKay's election and subsequent decision to push the executive towards industrial action. Consequently, it took place during the holiday season when business in the branches was traditionally slack and staff not on holiday moved around the networks providing temporary cover, making them difficult to contact

let alone organise. Even so, 73 per cent of the membership pledged to strike or 77 per cent after the 278 Agent members were excluded from the ballot⁸³. The final result was too close to reject, but not enough to persuade the more reluctant members of the executive. Rumours surrounded James Macauley, who had lost the presidency to MacKay, of leaks from executive meetings and when the 28th of June was set as the day of the strike the former president acted⁸⁴. It was against SBA policy to have anything to do with the internal associations then being established in a number of banks. But when an internal association was proposed in the Commercial Bank where Macauley worked, Macauley set about promoting it through circulars and staff meetings and complained in detail about the SBA executive to the Glasgow evening papers. His actions undoubtedly damaged the morale of SBA members.

The general managers prepared for a strike even if the SBA did not⁸⁵. In Aberdeen there were rumours of a lockout and the permanent replacement of strikers by lady clerks. Bank of Scotland staff were interviewed and ordered to answer yes or no to the question "are you willing to stand by the Bank in the event of a strike?". Royal Bank agents were asked to inform head office if they would be able to carry on with business as usual and to supply the names of staff willing to work through the strike. At Hunter Square the agent, after securing promises of assistance from two former lady clerks and his long serving accountant, stated on the 25th: "It appears that we do not need to dread a strike now"⁸⁶.

The final factor in the dispute was the Ministry of Labour, which brought its own agenda - the avoidance of industrial disruption. The Chief Conciliation Officer in Scotland invited the general managers to a meeting to discuss a peaceful solution to the threatened unrest. The Bank of Scotland, British Linen, Royal, Commercial and National Bank general managers attended and, with the exception of James Tuke of the British Linen bank, agreed to another meeting, which SBA

⁸³ SBA minute bk. 1, pp. 273-274

⁸⁴ SBA minute bk. 1, 5th, 11th & 18th Jun. 1920

⁸⁵ SBA minute bk. 1 24th Jan., 18th, 22nd & 25th Jun. 1920; and *Scottish Bankers' Association Bulletin*, Aug. 1920

⁸⁶ B561/3/8, letter dated 25th Jun. 1920

representatives would attend on the condition that the strike was called off. Clearly the threat of a strike was taken seriously even though it is unclear what the SBA executive actually envisaged. Thus, with a probable sigh of relief the SBA executive agreed to the general managers' proposal and cancelled the strike. The general managers then withdrew from the proposed meeting claiming that they had only agreed on the understanding that every bank would be represented. The Chief Conciliation Officer had no recollection of this condition and described the general managers' contention as erroneous⁸⁷. Erroneous or not no meeting took place leaving the SBA to claim a moral victory as disappointed and disaffected members began resigning in droves⁸⁸. By August conciliatory salary increases had been paid and Ministry officials, having decided the threat of strike action had passed, left the two sides to themselves⁸⁹. Unsurprisingly no strike ballot was held in Wales.

The debacle of the aborted strike prompted a return to the moderate tactics practiced by the Guild, so much so that a failed attempt was made to merge the two unions in December⁹⁰. Afterwards the Guild continued its search for non-confrontational means of gaining recognition and in 1922 won a majority of seats on the Council of the Institute of Bankers in England⁹¹. The SBA executive voted against this tactic in 1922 before adopting it in 1923, requesting two seats on the Institute's council⁹². The council refused and "in view of the probability of renewed advances by the Association, the president and the vice-presidents were appointed to a committee to advise the secretary in any further directions necessary"⁹³. The advances came at the 1923 AGM

⁸⁷ LAB 2/646/5, memo dated July 1920

⁸⁸ In mid-July the general managers of Union Bank, Bank of Scotland and National Bank accepted a Ministry of Labour invitation to another meeting on the condition every other general manager attended. The other managers refused and the meeting did not go ahead. See LAB 2/646/5; *ibid.*; *Scottish Bankers' Association Bulletin*, Jul. and Aug. 1920;

⁸⁹ LAB 2/646/5, memo dated July 1920

⁹⁰ The SBA executive voted against amalgamation in October 1920. By December a majority of members were in favour of the move. In January 1921, however, the BOG for unspecified reasons rejected the SBA's overtures. SBA minute bk. 1, 24th Jan & 19th Dec. 1920 and 25th Jan. 1921

⁹¹ M. Savage, (1993), pp. 205-206; E. Green, (1979)

⁹² SBA minute bk. 2, 6th Jun. 1922

⁹³ IOB minute bk. 3, 9th May 1923

when two junior staff were proposed for election to the council. At this the President, Alexander Wright, intervened. There was, he said, no disguising the fact that these were Association men and that the Association should not interfere. The Institute was not about capital versus labour or employer versus employed, rather it was a wholly disinterested, educational body and "such a thing as class antagonism is quite unknown in its administration"⁹⁴. The speech was a passionate and spontaneous attack on the class analysis of bank employment developed by trade unionists by perhaps the most prominent Scotland's banker of the time. It failed to prevent the two SBA candidates being elected.

Afterwards measures were taken to ensure no more trade unionists were elected to the Institute's Council. The ballot papers used in the Institute elections were not anonymous and all council members had the right to examine completed ballot papers. The Commercial Bank council member drew up a list of all Commercial Bank staff who voted for the SBA candidates, and asked them to inform head office in writing why they had acted in this way and what faults they considered there to be in the Institute's management⁹⁵. The SBA complained about this to the Secretary of the Institute. The secretary acknowledged the complaint, but could not guarantee voting arrangements would be any different in future⁹⁶. Members of the Institute were accordingly more circumspect in their voting the following year. Whereas in 1923 the SBA candidates had polled 800 votes, the two candidates put forward in 1924 only received 266 votes⁹⁷. After this no more SBA candidates were put forward, its membership had declined steadily since 1920 and after 1924 survival became the executive's prime concern⁹⁸.

⁹⁴ *Scottish Bankers Magazine* Jul. 1923

⁹⁵ SBA minute bk. 2, 28th Jun. 1923; and *Scottish Banker*, Jul. 1923

⁹⁶ IOB letter bk. 8 contains a useful synopsis of the letters exchanged by the SBA and the secretary dated 6th Oct. 1923

⁹⁷ SBA minute bk. 2, 20th May 1924; *Scottish Banker*, July 1923 and July 1924; and *Scottish Bankers Magazine*, Jul. 1924

⁹⁸ SBA membership fell from 4,550 in June 1920 to 3,031 in January 1924, then 1,986 in May 1930 where it remained for much of the 1930s. On various occasions the executive debated disbanding the SBA see SBA minute bk. 3, 10th Sep. 1927; SBA minute bk. 4, 9th Jun. 1934

ii) Strategic opposition

In various ways the SBA executive made its own misfortune. Divisions over tactics, a poor sense of timing and an apparent naiveté when dealing with the general managers, were not conducive to success. By contrast the general managers united to present a vigorous and vehement opposition. This was in part ideological. For instance, Alexander Wright, Norman Hird and George Scott of Bank of Scotland supported the Economic League; a right-wing employers organisation committed to preserving a capitalism unfettered by socialism or organised labour⁹⁹. More importantly, the general managers were grand figures unwilling to tolerate any outside agencies interfering in what they very much regarded as their affairs. At the same time they were institutionally equipped and well used to taking collective decisions about matters of common interest. Autocratic and anti-trade unionist, the general managers' opposition to the SBA took two forms - intimidation and inclusion.

a) Intimidation

The dismissal of trade unionists was the most overt form of opposition, but when asked about this and other forms of victimisation a Ministry of Labour official suggested that there was "rather an unnecessary fear of this among bank officials"¹⁰⁰. There was undoubtedly an element of theatre when the original SBA Edinburgh Secretary announced he had intended to refuse the post for fear of being victimised, but changed his mind on witnessing the strength of feeling amongst staff¹⁰¹. Yet such fears were justified. Besides the early example of James MacDougall, shortly after the SBA was formed three Falkirk Savings Bank staff were dismissed for being trade unionists and

⁹⁹ IOB letter bk. 7, letters dated 20th Oct. and 7th Nov. 1922. On the Economic League see A. McIvor and H. Paterson, op. cit.; and R. Benewick, *The Fascist Movement in Britain*, (London: Allen Lane, 1972). The appeal from the Economic League for support placed the general managers in an uncomfortable position. The secretary of the Institute described the League as an organisation that savoured of the political and it was therefore inappropriate for a general manager to associate with. But the League drew support from important customers in the West of Scotland. As a compromise Norman Hird attended League meetings in a personal capacity and was impressed by what he heard as he subsequently arranged for League speakers to address staff debating society meetings, which he personally chaired.

¹⁰⁰ LAB 2/646/2, note dated 17th & 23rd Dec. 1918

¹⁰¹ SBA minute bk. 1, 17th Dec. 1918

two British Linen Bank representatives resigned from the Glasgow District Executive claiming they had been threatened by their superiors¹⁰². However, obvious aggression soon lost its appeal once the involvement of newspapers and the Ministry of Labour made dismissal a potentially embarrassing action.

English bankers were also an important influence and example in this respect. The leading opponent of bank trade unionism in England was the Chairman of Midland Bank Sir Edward Holden, who was quoted as saying "A serpent has raised its head in banking ... I'll smash the BOG or die on the attempt", and favoured an aggressive response¹⁰³. His death and the failure to prevent recognition in Ireland encouraged a more conciliatory approach consisting of salary increases and internal staff associations formed with the explicit intention of rendering the Guild an irrelevance. English bankers encouraged their Scottish counterparts to follow suit. Norman Hird did so establishing a staff association in 1919, which explains the low strike vote amongst Union Bank staff in table 8.3 above. Edward Holden's replacement at Midland Bank, Reginald McKenna, subsequently visited its Scottish affiliate the Clydesdale Bank in June 1920 and personally arranged for staff to move onto the higher Midland Bank salary scale. On leaving he warned that unless salaries were increased in every bank "the staffs were bound to become members of the Scottish bank officials association"¹⁰⁴.

However, management support for staff associations varied, eventually giving way once the threat of industrial action passed leaving an attachment to more vigorous forms of opposition. Any advance the SBA made was quickly attacked. In 1923 the SBA established the Scottish Bankers Educational Association (SBEA) to provide distance learning materials for staff taking the Institute's exams. The SBEA quickly proved a success, preparing 775 of the Institute's 1,789 candidates by 1928¹⁰⁵. SBEA members became an important

¹⁰² SBA minute bk. 1, 23rd Oct. 1919 and 8th Jan. 1920

¹⁰³ quoted in R. M. Blackburn, *op. cit.*, p. 142

¹⁰⁴ C. W. Munn (1988A), pp. 175-183, LAB 2/646/3, comments of Reginald McKenna dated 7th Jun. 1920

¹⁰⁵ SBA minute bk. 2 17th Feb. 1923; SBA minute bk. 3, 31st Mar. 1928; and IOB in Scotland Annual report 1928

source of new SBA recruits, so much so that in November 1924 Commercial Bank apprentices were informed that resigning from the SBA was a condition of entry to its permanent staff¹⁰⁶. Once publicised this condition was rescinded, but in 1925 staff received a letter from the superintendent, backed up by interviews conducted by inspectors, suggesting they resign from the SBA¹⁰⁷. Again, once publicised the letter was retracted, but over the next two years similar measures were taken to encourage staff to resign from the SBA¹⁰⁸.

This measure contradicted as it confirmed what general managers' thought about trade unionists. Since the establishment of the SBA it had been dismissed as an organisation for disappointed men, mediocre grouchers not worthy of promotion who, were it not for the tradition of permanent employment, had no place in banking¹⁰⁹. The levels of union density in Scotland, Ireland and Wales before June 1920 indicates that this was simply not true as does the frequent recourse to intimidation. Moreover, although only approximately a fifth of all agents were members (in 1920 278 agents were members at a point when the banks operated 1283 Scottish branches), a substantial proportion of agents were part-time thus ineligible for SBA membership. Therefore, promoted full-time agents were only marginally less likely than unpromoted staff were to join the SBA. Rather, the main difference concerned attitudes towards industrial action as only six per cent of agents who were SBA members voted in favour of the strike in 1920. Even so it is apparent in the opinion of a general manager that there was no place in a successful career for SBA membership. This assumption acquired humorous overtones in England when the branch manager who led the BOG was informed by an unsuspecting superior to be on the look out for trade unionists¹¹⁰. In Scotland the connection between career success and avoiding trade unionism was made explicit at Royal Bank in 1926 following the involvement of the SBA in salary negotiations - afterwards staff were

¹⁰⁶ SBA minute bk. 2, 8th Nov. 1924

¹⁰⁷ SBA minute bk. 2, 4th Jun. 1925; SBA minute bk. 3, 15th Oct. 1925

¹⁰⁸ SBA minute bk. 3, 28th Jan. 1926, 15th Mar and 19th & 30th Apr. 1927

¹⁰⁹ Ministry Officials described this as the directors and general managers' 'usual line'

¹¹⁰ R. M. Blackburn, *op. cit.*, p. 135

informed resignation from the union was a condition of being promoted to an agency¹¹¹. Chapter 7 described how staff moulded themselves into a form deemed compatible with promotion. Such formal links between promotion and non-involvement in the SBA served to bring the general managers prejudices into being by ensuring the promoted and the ambitious would shun any involvement in the SBA. It fell to well-meaning agents to warn staff that membership of the SBA threatened to consign them permanently to the clerical ranks¹¹².

The SBA had few means at its disposal with which it could alter how it was perceived. In the *Scottish Banker* the trade unionist was described as a principled man whose ability to withstand material incentives was evidence of a moral fibre even a general manager could respect and one day reward. The argument was much the same as that used by the Institute's supporters before the introduction of the bonus and proved equally unsuccessful. To substantiate it every leading SBA member who was promoted was seized upon and presented as evidence that trade unionism was compatible with promotion. That James Macauley was used for this is more an indication of desperation than conviction¹¹³. More impressive was the well-publicised promotion of A. B. MacKay to the inspector-ship of the Glasgow Savings Bank in 1934¹¹⁴. However, unreported aspects of MacKay's career illustrate the unappealing precariousness of the bank trade unionist. A trustee of the Glasgow Savings Bank, after reading newspaper reports of a speech given by MacKay, demanded his dismissal in 1932 (MacKay then managed the Bank's largest branch)¹¹⁵. The demand was ignored, but the dismissal of MacKay was not a realistic option; besides being a dedicated employee who invented various new administrative procedures, he was a public figure and well connected to the labour movement¹¹⁶. Aside from these notable exceptions it was rumoured

¹¹¹ SBA minute bk. 3, 3rd May and 9th Oct. 1926

¹¹² SBA minute bk. 2, 27th Apr., 31st May and 9th Jun. 1923

¹¹³ *Scottish Banker*, Apr. 1924

¹¹⁴ *Scottish Banker*, Apr. 1934

¹¹⁵ MacKay had already been disciplined for his political activities in 1920. See GSB minute bk. 9, 30th Jan. 1920; GSB Private Minute bk. 13th May and 10th Jun. 1932

¹¹⁶ UGD 129/7/1/32, *Autobiography of A. B. MacKay*

that an unwanted 'promotion' to the far north of Scotland was the trade unionist's usual reward¹¹⁷.

b) Inclusion

Together with various forms of direct opposition the organised pastimes and pleasures of staff were harnessed to establish boundaries of the acceptable. Before the war the general managers and directors had encouraged staff to participate in the volunteers movement, a militaristic pursuit compatible with the structured order of the banks. After the war an unprecedented array of clubs and associations catering to every taste were formed, extending the world of work into the social lives of staff to enrich the employment relationship. This discovery of leisure saw disputes concerning pay, promotion and working conditions recast as a singular problem of communication. A process of inclusion, the various activities served to bind staff to their respective banks. Each was regulated by tacit exclusions, above all, of anything that implied the existence of antagonistic relations between staff and their superiors.

Before 1914 staff had established a range of work-related clubs and associations to fill their leisure time. The relationship of senior officials to these was straightforward; they may have been involved as youths, but in promoted maturity tended to have more important matters to attend to. After the SBA was established what had been signs of cultural autonomy were drawn into the exercise of hierarchical authority. Senior officials encouraged the revival of old activities and led in the formation of new ones. Whereas agents - the banks' middle management - had run most of the associations existing before the war, afterwards none was complete unless headed by a general manager, his assistant or at least an Edinburgh or Glasgow manager.

¹¹⁷ *Scottish Banker*, Oct. 1927. For example one of the SBA members elected to the Council of the Institute of Bankers in Scotland at the time of his election worked for the North of Scotland Bank at Dundee. In between being elected and taking up his seat on the Council he was transferred to Wick. On arriving at the first Council meeting he was eligible to attend he and his associate proposed the Institute should pay the travelling expenses of Council members. Every other member opposed the proposal.

Leading bankers used leisure to make themselves an immediate part of their staffs' lives, taking advantage of every opportunity to meet and greet their subordinates. Respectful of the event's origins the National Bank annual Glasgow staff dinner continued being chaired by local officials and agents, however, the array of banking luminaries who sat at the top table were the real stars. In 1934 these included the general manager and his immediate predecessor, four head office officials, four directors and the Lloyds Bank Chief General Manager - the National Bank's English affiliate¹¹⁸. Each year the Chairman gave way allowing the General Manager to address his staff. There was no single message to be heard: in 1934 the General Manager argued against the nationalisation of banks; and in 1936 advised an audience smoking cigars after a 7-course meal, "living extravagantly was not the way to get on in a bank"¹¹⁹. Rather, there was an underlying purpose; to encourage staff to identify with each other, their superiors and the banks they worked for through what the National Bank governor described as "contact between the members of a corporate body, who, through necessity scattered in actual space, are nevertheless bound together by the ties of a common interest - that of the Institution which they serve"¹²⁰. Between the wars an annual dinner became a means of "fostering the good feeling that exists amongst our men and also in the easy relations between staff and the executive", while a golf club "undoubtedly assisted and cemented a good esprit de corps among the members of the staff"¹²¹.

To bind staff together bank sponsored leisure put in place a structured normality of contact and understanding congenial to the existing distribution and exercise of authority. It was not necessary for senior officials to be interested in the clubs they led, although many were, rather they should seem to be interested. Alexander Wright, for example, was President of the Royal Bank Golf Club from its revival in 1920 until his death in 1933, but preferred fishing and was only ever a

¹¹⁸ NS 25, Social Club Minutes

¹¹⁹ *ibid.*

¹²⁰ *The Teller*, Aug. 1929

¹²¹ *ibid.*; RB 291/23, letter dated 17th Feb. 1936 concerning the establishment of an Aberdeen branch of the Royal Bank Golf Club

non-playing member. Similarly when William Whyte was brought up from London to become the Royal Bank Assistant General Manager, he also became Captain of the golf club, an honour for another non-playing member that painlessly introduced him to his Scottish subordinates. In these ways leisure was drawn into the reproduction of senior management, thickening the sense of hierarchy. When links between superiors and subordinates could not be made in person other methods were found. Thus, every issue of *The Teller*, a magazine produced for National Bank staff began with a profile of a leading official, a feature copied directly from the *Scottish Bankers Magazine*.

However, this reassertion of managerial authority and its extension into new domains did not impose a unified culture of loyalty and unquestioning obedience, though it did increase the amount of time work related activities took up in staff lives. Few people belonged exclusively to one social circle; most enjoyed different pursuits provided by different groups and organisations¹²². Moreover, the hierarchy of the banks was spread so broadly that it stifled as well as allowed communication between the ranks. For instance, a critic of the National Bank golf club noted members only ever talked to those of a similar standing in the Bank¹²³. Nor was the presence of senior officials always appreciated. Despite the lure of a snooker table and cheap tea and coffee, the Institute's Edinburgh rooms were unpopular with staff who regarded the atmosphere as too managerial¹²⁴. Rather, when it suited them staff chose to participate in the broad range of activities on offer, playing their part in the theatre of the various events at the banks' expense. However, the involvement of senior officials established the legitimacy of the various events and associations, confirming their compatibility with career success. For instance, a good golf swing swung on behalf of a bank club became regarded as one of the sure routes to promotion.

Thus, each bank gained an enlarged, official culture in which senior officials were always interested in their subordinates and where

¹²² T. C. Smout, "Patterns of Culture", in A. Dickson and J. Treble, (eds) *People and Society in Scotland, Vol. III*, (Edinburgh: John Donald, 1992)

¹²³ *The Teller*, Aug. 1930

¹²⁴ LAB 2/646/3, "General Notes on Scottish Banking"

the experience of work was described exclusively in terms of camaraderie and fellowship. The series of articles and pictures on "the Old Brigade" (former staff) published in *The Teller*, manufactured this as tradition. Indeed, readers of the banks' official histories, the *Scottish Bankers Magazine* or *The Teller* could be forgiven for thinking bank trade unionism did not exist. It did, just.

Excluded from this official bank culture the SBA enjoyed a subterranean status. Its members built up a range of counter attractions including branch football teams, dinners, dances, whist drives and guest lectures. These also served to bind members together, encouraged interest in the union and through the General Secretary's Cup awarded to winners of the annual golf competition, allowed for the celebration of an alternative pantheon of heroes¹²⁵. But this self-conscious mimicking of bourgeois including bank etiquette - usually with fewer courses and cheaper wine - had limited appeal. One exception was at Inverness where a member of the local Bank of Scotland board inherited from the Caledonian Bank was an early supporter of the Association and chaired the meeting at which the Inverness SBA branch was formed¹²⁶. In the more tolerant atmosphere this afforded 61 of the 75 staff working in the town's eleven bank offices were fully paid up SBA members as late as 1924¹²⁷.

8.5 The revival of bank trade unionism in the 1930s

i) Overview

The 1930s witnessed the revival of the SBA due to three factors. First, changing tenure patterns and the resultant shift in staff composition increased the capacity of staff to engage in collective action. Second, the reluctance of the general managers to respond to the adverse effects of inflation once again gave rise to staff discontent. Third, the SBA gained a new, more aggressive executive intent on exploiting any staff grievance.

¹²⁵ SBA minute bk. 1, 16th Jan. and 14th Dec. 1921, 14th Dec. 1922; SBA minute bk. 2, 21st Mar. 1923; social events organised by the SBA were regularly detailed in *Scottish Banker*

¹²⁶ The director was profiled in *Scottish Bankers Association Bulletin*, Jan. 1922

¹²⁷ *Scottish Banker*, Dec. 1924

ii) Staff tenure and composition

Checkland suggested that there was a bulge in recruitment in the 1920s to staff the extension of the branch networks¹²⁸. There is little sign of this at Royal Bank where a rapid increase in the volume of recruitment was confined to the First World War. Recruitment declined thereafter relative to the total number of staff, then absolutely throughout the inter-war period (see table 8.2 and figure 8.1). Indeed, the First World War stands out as a transitory window of opportunity for men as well as women as after 1921 recruitment became more socially exclusive, a maiden aunt with a few hundred pounds on deposit receipt was no longer sufficient qualification for an apprenticeship. Agents at small branches were barred from recruiting staff and at those where recruitment continued the size of the business attached to individual applicants determined whether or not they made it onto the growing waiting list for an apprenticeship¹²⁹.

The reason for the decline in recruitment was straightforward; there was little space for new recruits. This was due to the rapid change in tenure patterns that began immediately after the war (see figure 8.4 below). Although senior officials were initially concerned about staff leaving, by October 1920 the Secretary of the Institute noted an increasing number were opting to remain in the 'home trade'¹³⁰. In part this was a direct consequence of the War. Every bank honoured its promise to reinstate staff who had served in the military, of whom an unknown number returned as 'broken men' incapable of meeting the demands of life overseas and unable to leave (within a few years the banks began paying retiring allowances to those who, still suffering the physical effects of military service, were forced to resign early due to poor health)¹³¹. Of greater significance was the increasing number of staff unable and unwilling to leave due to a range of international economic, social and political factors, which had the single effect of curtailing emigration. South America lost its appeal when rapid inflation

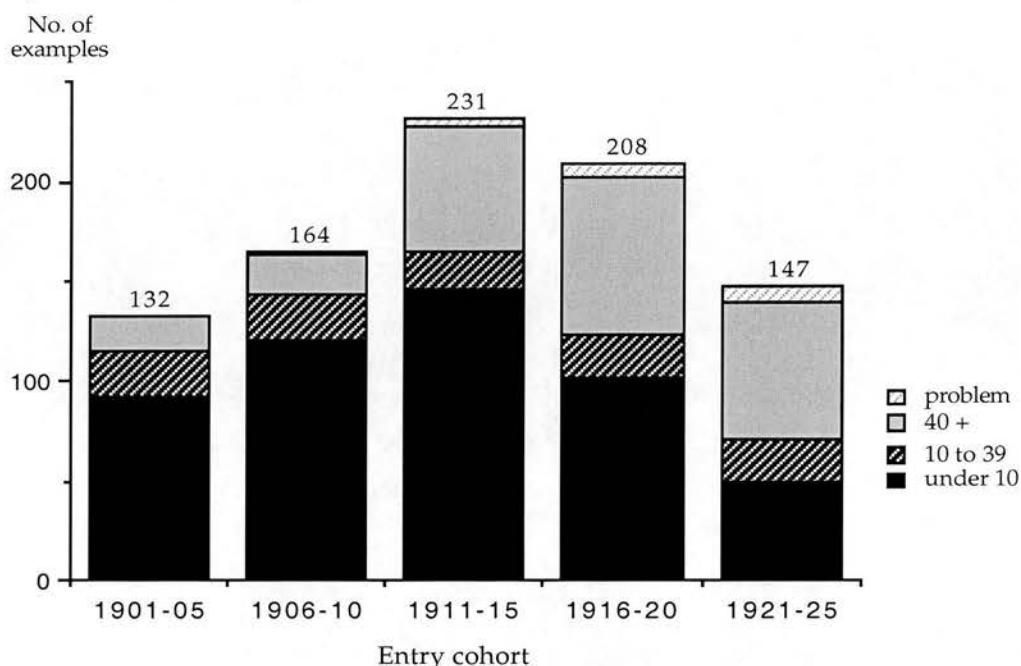
¹²⁸ S. G. Checkland, *op. cit.*, pp.648-649

¹²⁹ See for example B561/3/8, letters dated 1st Dec. 1922 and 8th Jan. 1923; and B 561/3/10, letters dated 23rd Feb. & 8th Oct. 1931, 10th May 1932, 20th Mar. & 6th Dec. 1933 and 15th Jun. & 12th Dec. 1934

¹³⁰ IOB letter bk. 7, letters dated 9th Dec. 1918, 5th Feb. 1919 and 11th Oct. 1920

¹³¹ N. Munro, *op. cit.*, pp. 318-320

Figure 8.4. The career duration of staff who entered the Royal Bank of Scotland during the years 1901 - 1925, (in years)



left salaries there worth less than those paid in Scotland¹³². Banking in South Africa lost much of its lustre when one bank failed immediately after the First World War and another was taken over by Barclays after a few more difficult years¹³³. Elsewhere, colonial banks and bankers became targets for violent supporters of independence. In India before and during the Armritsar riots, mobs surrounded and destroyed bank offices, in one incident killing three National Bank of India staff, while in Shanghai in 1925 a British businessman was killed during anti-British demonstrations¹³⁴. The pursuit of independence subsequently became less violent, but in its later forms continued the attack on immigrant labour. In the 1930s Indian staff began passing the exams of the London Institute of Bankers qualifying themselves for managerial positions. An Indian Institute of Bankers was established as was a bank staffed

¹³² *Scottish Banker*, Jan. 1924

¹³³ S. Jones, "The Apogee of the Imperial Banks in South Africa: Standard and Barclays, 1919-1939", *English Historical Review*, CIII, (1988), pp. 892-916

¹³⁴ C. MacKenzie, *Realms of Silver: One Hundred Years of Banking in the East* (London: Routledge and Kegan Paul, 1954), pp. 234-236

entirely by Indians, which benefited from the nationalistic sentiment of native businessmen and politicians¹³⁵. Social unrest in the 1920s gave way to economic uncertainty in the 1930s following the world-wide depression and Canada, a key destination for emigrant Scottish staff, barred immigration.

Unable and unwilling to leave staff increasingly opted to stay where they were with consequences for the composition of staff readily observable in table 8.1. The most important change involved the increase in the number of clerks at the expense of apprentices. This had important long-term cost implications; not least the eventual cost of paying pensions to those who stayed. The eventual reintroduction of lady clerks combined with mechanisation provided a long-term solution to this dilemma. Lady clerks, whose temporary attachment to employment could be relied upon and readily enforced, provided an alternative source of cheap labour. When young women were envisaged operating the labour saving machines first introduced in the 1930s significant savings were expected to be made. However, in Scotland these changes only became significant after the Second World War¹³⁶. Until then the expansion of the branch networks was left to absorb the growing numbers of experienced staff. However, this was not an option for those banks with slow growing networks. Instead the Union Bank, then the North of Scotland and Clydesdale Banks, made passing the Associateship of the Institute a compulsory condition of entry to their permanent staffs, a measure that had the effect of inducing turnover. In the opinion of the Clydesdale Bank general manager this was a fair way of getting rid of unwanted staff:

"In applying this regulation without exception we have had one or two cases of young men being required to leave who were quite good workers but to have made exceptions of these cases would have weakened our position in securing the expulsion of the undesirables"¹³⁷.

The North of Scotland Bank, which operated the smallest and slowest growing branch network, went one step further, acquiring an

¹³⁵ *Scottish Bankers Magazine* Apr. 1930; G. Jones, op. cit., pp. 217-221

¹³⁶ C. W. Munn (1988A), pp. 166-167; NS 133/1 Chief Accountants Letters on Mechanisation

¹³⁷ C. W. Munn (1988A), pp. 177-178

international reputation in the process for being eager to rid itself of clerks. In 1923, 1924 and 1932 a number of clerical staff received dismissal notices while others were vigorously encouraged to resign¹³⁸.

However, the universal response during a difficult period for the banks appears to have been a mounting reluctance to concede salary increases. This varied between the banks. In the 1920s SBA studies revealed that Reginald McKenna's intervention had left Clydesdale Bank staff in receipt of the highest salaries in Scotland¹³⁹. This caused particular concern in Aberdeen where at the other Midland Bank affiliate - the North of Scotland Bank - staff complained they received lower salaries, yet performed the same duties. In response the North of Scotland general manager suggested:

"the Clydesdale rates should be reduced, but of course, it would not be easy to put reduction into operation, although a beginning might be made by their putting new entrants upon somewhat lower scales"¹⁴⁰.

The tensions likely to follow such a measure were avoided throughout the 1920s because steadily falling prices preserved staff incomes. Moreover, during a period of mass long-term unemployment a secure position in a bank had a definite appeal¹⁴¹. However, when the cost of living began to rise after 1933, salaries once again became a focus for discontent among an increasingly stable staff no longer able to emigrate in search of greater rewards.

iii) The Scottish Bankers' Association: militancy, opposition and affiliation

During the 1920s the SBA redefined the scope of its activities. In the 1930s a new and aggressive executive that vigorously sought to exploit mounting staff discontent led it. Membership of the SBA increased for the first time since 1920 prompting the executive to call a strike of Union Bank staff in 1937 that was swiftly put down by a familiar mix of opposition, conciliation and inclusion. The collapse of the

¹³⁸ *Scottish Banker*, Apr. 1923 and Oct. 1924; SBA minute bk. 3, 13th Feb. 1932; and IOB letter bk. 9, letter dated 23rd Oct. 1928

¹³⁹ See for example the survey published in *Scottish Banker*, Oct. 1922

¹⁴⁰ RB 61/4, letter no. 313, dated 25th Mar. 1927

¹⁴¹ S. Pollard (1983), pp. 186-188

second strike took with it any qualms about associating with the mainstream trade labour movement and the prospect of an independent Scottish bank trade union. After 1937 the SBA formed links with the Scottish Trades Union Congress, eventually merging with the BOG to form the National Union of Bank Employees in 1945.

After 1924 the SBA operated more as a pressure group than as a trade union, subjecting the Scottish banks to an unprecedented degree of scrutiny and criticism. A range of contacts and informants ensured that any injustice suffered by staff was seized upon and publicised¹⁴². For example, a teller convicted of embezzlement became an indictment of the lax supervision only a part-time (always referred to as alien) agent could give¹⁴³. Alongside this a benevolent fund was established and dismissed staff began approaching the SBA for assistance. The SBA also drew attention to staff dismissed for breaking the marriage bar, which prevented (male) staff from marrying until they had reached a certain salary or age. It was approached by the *March of Time* newsreel about this and the no-politics rule¹⁴⁴. Discussions about these issues saw a new language of citizenship being deployed to present recognition as a civil liberty and trade union membership as "the full and unfettered democratic freedom of Bankmen"¹⁴⁵. In these ways the SBA made itself an unofficial niche as a last resort for staff. Although certain individuals were undoubtedly grateful, the majority remained unmoved and SBA membership remained at little more and usually less than 2,000 throughout the period 1930 to 1935¹⁴⁶.

MacKay resigned from the SBA presidency in 1933, to be replaced by a new, more ideologically determined executive intent on using growing staff discontent over salaries to force recognition¹⁴⁷. The existing network of SBA branches was used to organise meetings and

¹⁴² For various examples of this see SBA minute bk. 3 3rd & 12th Sep. 1931; SBA minute bk. 6, 30th Jun. & 10th Aug. 1938

¹⁴³ *Scottish Banker*, Nov. 1936

¹⁴⁴ The most prominent example involved a Mr. Notman of the Commercial Bank, see SBA minute bk. 5, 3rd, 10th & 28th Jun. and 20th Sep. 1936

¹⁴⁵ *Scottish Banker*, November 1929; for a discussion of citizenship see R. Crompton, op. cit., pp. 138-165

¹⁴⁶ SBA minute bk. 3, 10th Jan. 1930; SBA minute bk. 4, 7th Dec. 1935

¹⁴⁷ SBA minute bk. 4, 1st May 1933; SBA minute bk. 5, 19th Apr., 17th Jun. and 27th Dec. 1936

rallies across Scotland and wherever possible SBA members involved themselves in salary discussions in individual banks. Membership increased from a record low of 1,700 in the middle of 1935 to approximately 3,700 over the next twelve months¹⁴⁸. Given the reduction in recruitment and changed tenure patterns, many of these new members had previously resigned from or shunned the SBA.

Staff now joined in increasing numbers an SBA led by an executive whose politics had moved sharply to the left, a shift indicated by the vocal support it gave to the Independent Labour Party after it disaffiliated from the Labour Party ¹⁴⁹. The moderate tactics of the BOG were set aside once more by an executive that asked when to strike not if. Prompted by fears that salary increases negotiated at Royal Bank would be deliberately withheld to precipitate a strike, the executive decided in May 1936: "we must in other words bluff our way through the summer" after which it was hoped the membership would be larger and more easily organised¹⁵⁰. A publicity agent was engaged to ensure regular newspaper coverage, appeals were made for a Whitley Council and the possibility of industrial action was talked up to involve the Ministry of Labour - anything to ensure that any anti-trade union measures would be subject to public scrutiny. The salary increases at Royal Bank were eventually paid in July and an attempt at including National Bank staff in the ongoing series of campaigns failed. This staggering of salary discussions left Union Bank the sole focus of SBA activities.

All those factors that affected bank employment between the wars were present at Union Bank to an exaggerated degree. Norman Hird stood out amongst the general managers for his autocratic ways. This is how a recent historian of Union Bank has described him:

"the impression which comes down the years is of a man sure of his own abilities, who saw no reason to temper his views either for other general managers or for directors. He was also impatient and imperious with his own

¹⁴⁸ SBA minute bk. 5, Policy memo dated November 1936

¹⁴⁹ For a discussion emphasising the importance of ideology in the disaffiliation of the ILP see W. Knox, *James Maxton*, (Manchester: Manchester University Press, 1987), pp. 94 - 106

¹⁵⁰ SBA minute bk. 5, 23rd May 1936,

senior officials and, like all general managers of his time, Olympian to lesser mortals"¹⁵¹.

Lacking an English affiliate Union Bank remained dependent on the depressed west of Scotland economy for its lending business and lost ground to rivals in terms of advances. Such difficulties did little to disturb Hird's self-confidence. Indeed, rather than open new branches he sought to increase the range of services available in its existing network only to be held in check by the "A and Us". This meant there were fewer promoted posts for the growing number of clerks to fill and little need for their increasingly costly experience. With methods of inducing turnover already in place additional solutions were implemented. Recruitment was cut back and junior clerks moved around the network in place of locally recruited apprentices. Neither measure proved popular and staff complained about being forced to move out of their parental homes into digs without any compensatory salary increases¹⁵². Then in May 1936 an apprentice was appointed on a £20 salary, £10 less than the minimum paid since the First World War; the following month a clerk was replaced by a girl on a lower salary¹⁵³. Staff grew increasingly concerned about their present situation and future prospects, yet the internal association had been allowed to lapse, leaving only an appeal to the board or Hird as an option for the foolhardy. Lacking any means of airing let alone resolving a growing list of grievances staff turned to the SBA, which became involved in salary negotiations in June 1936 and by 1937 claimed 80 per cent of staff as members¹⁵⁴.

The goal of the SBA executive was to initiate a strike at Union Bank to secure a published salary scale, but it was hoped this would spread to every bank and become a mass strike for recognition¹⁵⁵. In February 1937 the executive called upon Union Bank staff to strike on the 30th of April. Now it was the general managers' turn to act. At every bank lists were compiled of SBA members and agents began

¹⁵¹ A. Cameron, *op. cit.*, p. 178

¹⁵² SBA minute bk. 5, 4th May 1936

¹⁵³ SBA minute bk. 5, 28th Jun. 1936

¹⁵⁴ S. G. Checkland, *op. cit.*, pp. 589-590; SBA minute bk. 5, 28th Jun. 1936

¹⁵⁵ SBA minute bk. 5, 28th Feb. and 7th Mar. 1937

summoning staff into their offices to discuss how membership of the SBA might affect their future careers. At Union Bank appeals were made for outside help in the event of a strike and existing staff were ordered to sign a no-strike agreement¹⁵⁶. Finally, Norman Hird stated that the employment of all those who struck would be terminated and their pensions forfeited¹⁵⁷. The threat worked; the strike collapsed on the morning of the 30th of April. The other general managers now acted quickly to prevent unrest spreading. For instance, at Bank of Scotland a general salary increase was paid and the rules governing staff marriages were relaxed¹⁵⁸. Some months passed. Union Bank staff had already benefited from a generous salary round when William MacPherson, the leader of the strike on the Union Bank staff, was dismissed and one of his associates taken aside and informed that he had "no future" with the Bank¹⁵⁹. The SBA executive rejected the suggestion of industrial action to force MacPherson's reinstatement; two failed strikes it seems were enough¹⁶⁰.

In the aftermath of the second abortive bank strike membership of the SBA declined rapidly once more prompting the executive to give up trying to win recognition by its own efforts and instead seek new allies more in keeping with its ideological leanings. Some opposition remained, but as the National Federation of Professional Workers had long since disappeared there was no alternative but to form links with the Scottish labour movement. The dismissal of MacPherson (he later found employment with the Civil Service Clerical Association) persuaded a majority of members to vote in favour of affiliating to the STUC and the executive encouraged SBA branches to affiliate to their local trades councils (MacKay, who had returned to chair an SBA action committee in 1936, forged even closer links when he was elected to the STUC General Council in 1941)¹⁶¹. Affiliation brought new and

¹⁵⁶ SBA minute bk. 5, 28th Jun. 1936, 9th Mar., 11th Apr. and 1st May 1937

¹⁵⁷ S. G. Checkland, *op. cit.*, pp. 589-90

¹⁵⁸ S. G. Checkland, *ibid.*; A. Cameron, *op. cit.*, p. 184

¹⁵⁹ SBA minute bk. 5, 29th and 31st Oct. 1937; 41st Annual Report of the STUC, 1938, p. 177

¹⁶⁰ SBA minute bk. 5, 7th & 20th Nov. and 5th Dec. 1937, 9th & 16th Jan. 1938

¹⁶¹ SBA minute bk. 5, 6th and 27th Mar. 1938; SBA minute bk. 6, 29th May 1938; and *Scottish Banker*, Apr. 1941

influential allies. A general manager had once used his position on the board of an insurance company to stop it advertising in the *Scottish Banker*¹⁶². In 1938 the SBA was able to respond in kind when Scottish Co-operative societies withdrew their accounts from Union Bank branches¹⁶³. However, the SBA executive still considered its members to have particular needs and in 1939 approached the STUC about establishing "a special committee for the purpose of organising professional and clerical workers into appropriate trade unions"¹⁶⁴. The proposal was rejected to avoid an atmosphere in congress that clerical and professional workers "needed to be specially coddled to be brought into the general movement" and "anyway such workers were no worse organised in Scotland than was women labour generally"¹⁶⁵. Affiliation certainly brought the SBA new and supportive allies, however, closer ties it seems did not immediately produce greater mutual understanding.

8.6 Conclusion

The desire of bank staff to remain apart from the working class and the British labour movement undoubtedly influenced the appeal, character and development of bank trade unionism. However, this was always more than a matter of status. Trade unionism in Britain was inextricably bound up with politics and the Labour Party. The former was incompatible with the carefully watched apolitical occupational identity of bank staff, while the latter in local and national government espoused policies inimical to the interests of banks and bank staff. Furthermore, the various encounters between the SBA, the TUC and the STUC reveal that neither side was especially sympathetic towards or intent on understanding the interests of the other. Thus, when the SBA did eventually affiliate to the STUC it was an act of desperation after a second abortive strike and in the absence of what were regarded as more compatible allies. All this exemplifies the fact that the

¹⁶² SBA minute bk. 6, 29th May 1936

¹⁶³ SBA minute bk. 6, 2nd Oct. 1938; NC 25, "Minutes of Meeting of the Committee of Scottish Bank General Managers, 4th Jul. 1938; and A. Cameron, op. cit., p. 184

¹⁶⁴ Motion No. 18 submitted to the 1939 Scottish Trades Union Congress detailed in its Forty Second Annual report, pp. 196-198

¹⁶⁵ *ibid.*

development of bank trade unionism was a more complex process than has been previously assumed.

Those additional factors identified in the introduction are key to understanding this complexity. The geographical and hierarchical dispersal of staff within bank organisations along with their routine movement during the course of their careers (plus emigration) militated against any form of collective action at least until the mid-nineteen twenties. So did the emphasis on following orders within organisations geared to manufacturing the dependence of each employee in the interest of encouraging loyalty and with this an unquestioning deference that facilitated the exercise of hierarchical authority.

More than this, senior officials routinely intervened to define meaning within the workplace. This became apparent after the SBA was established, then excluded from the official culture of banking in Scotland. The SBA itself proved an unsuccessful rather than a passive agent, which lacked the tactical ability or resources to overcome the opposition it encountered or the cultivated common sense that trade unionism was incompatible with career success.

Consequently, the rationale underpinning staff attitudes towards trade unionism can be specified in more detail. Mass support for trade unionism originally derived from the failure of bank ILMs to protect staff from the effects of inflation during and immediately after the First World War. However, the subsequent inability of trade unionists to secure recognition called into question the worth of the SBA. After 1920 the meaning of trade unionism was defined by the pointed use of intimidation, which drew direct links between SBA membership and career failure. Consequently, the SBA became an organisation understood as having no legitimate function and SBA membership as something that could adversely affect the financial well-being of staff. In these circumstances bank staff rightly concluded that the potential costs of trade unionism outweighed any tangible benefits. To be sure the SBA subsequently sought to secure any available niche, taking an interest in staff education, welfare and civil liberties. But these were lesser, typically transitory or else isolated matters compared to the basic and ongoing concern with salaries and promotion. In this way trade

unionism coalesced on the fringes of banking, as a last resort called upon only after the existing paternalistic structures of the banks failed. The temporary revival in SBA fortunes during the 1930s confirmed as it threatened to change this. It was only after the demand for increased salaries during an inflationary period was rejected that staff turned once more to the SBA. However, the failure to translate occasional successes into widespread recognition saw the SBA remain a last resort.

Chapter 9: Conclusions

This thesis has used the example of bank employment to examine the social identity of clerks and the lower middle class during the period 1850 to 1939. It is a significant contribution to knowledge in that it has adopted an inter-disciplinary approach to deepen our understanding of a then growing social stratum, which has been the subject of limited (negligible with regards to Scotland) academic historical research. More specifically, the individual chapters of this thesis have made the following contributions.

First, the analysis of social identity and employment required an examination of the business of banking that was undertaken in chapters 2 and 3. Although largely derived from existing studies, this presented new data to substantiate, build upon and modify many of the conclusions reached therein. This also entailed producing the first, albeit brief, academic history of the Royal Bank of Scotland, a key Scottish institution.

Second, the analysis of employment undertaken in chapter 4 introduced theories drawn from economics to historical research, which were then assessed and applied to illuminate processes of interest to both disciplines.

Third, the standard of living experienced by a specific group of workers was assessed. In the process, analytical and methodological issues of relevance to the broader assessment of historical living standards were highlighted.

Fourth, it has provided a quantitative analysis of careers unparalleled in duration and detail. This allowed existing conclusions based primarily upon qualitative data to be assessed, and entailed developing and applying computer based prospographical techniques to produce a substantial career database based upon staff records that is

now available for future research, as well as identifying appropriate methods of interrogating this data and presenting findings.

Fifth, on discovering that a majority of subjects left the case study organisation shortly after commencing employment within it, where and why they left was identified then related to the broader issue of how emigration affected Scottish culture and society, another key aspect of the recent Scottish past that has received limited academic attention. The example of bank émigrés was then analysed as a cultural and emotional phenomenon to illustrate processes of broader interest and applicability.

Sixth, a history of bank professionalisation and source criticism was used to produce a critical alternative to existing status based accounts of how the subjects of this thesis viewed and were viewed in society.

Finally, it has provided the first account of Scottish bank trade unionism. This focused upon the content and conduct of industrial relations, while remaining sensitive to insights gained from the sociology of collective organisations as well as white-collar trade unionism.

Turning now to the argument of this thesis. As Crossick notes the term clerk provided a convenient shorthand for a social group to which social and moral meanings have been attached¹. However, it has been argued that as with the term lower middle class, the term clerk requires careful use due to its imprecision in relation to the work content and labour market experience of specific groups of clerical employees. Moreover, it was shown that clerk was frequently accompanied by pejorative connotations, rendering it a term of abuse as well as description, qualifying its analytical worth. Finally, it was argued that the term clerk only refers to one position amongst several others, which the subjects of this thesis regularly passed through during

¹ G. Crossick (1991), p. 166

the course of their careers, an important aspect of clerical employment the term fails to acknowledge.

Thereafter, the subjects of this thesis emerged as more adventurous, pragmatic, anxious, cynical, critical, frustrated and successful. In other words, more complex figures than the established characterisation of clerks as little more than status obsessed drones allows. Given the detail of the analysis this is perhaps unsurprising. However, it derives from an approach, which involved setting out the key postulates that dominate the current understanding of clerks and the lower middle class, then subjecting these to a sustained and systematic critique. Consequently, it has been claimed that much of what has previously been assumed about the economic experience, values and social attitudes of clerks, and concomitant social theorising, is in need of significant modification, more cautious use or else being discarded altogether.

The first task of this thesis was to establish the economic experience of bank staff. This necessitated outlining the development of banking in Scotland, which was seen to have occurred over three phases. During the first phase beginning with the 1844-45 Bank Acts, Scottish banking came to be dominated by a single tier of substantial joint-stock concerns, a structure that essentially remained intact until after the Second World War. Disagreement between the banks about the conduct and scope of competition was resolved in 1857 by the failure of the Western Bank of Scotland. This removed the main opponent to the "Edinburgh" desire to avoid price competition as well as damaging the stability and reputation of the Glasgow banks that had previously challenged the hegemonic authority claimed by the public banks. The General Managers Committee that followed epitomised and expressed the crucial role the general managers played in the strategic management of the banks, a distinctively Scottish characteristic. The dispute over the opening of Clydesdale Bank branches in the North of England and accompanying opening of London offices saw the

geographical scope of the banks' business clarified in the 1870s, an era the City of Glasgow failure brought to a close.

Compared to events during the preceding three decades the period 1878 to 1918 was marked by an unrelenting pursuit of control and an apparent conservatism. In a growing economy and with no new entrants to Scottish banking there was only limited pressure on the banks to change their ways. Furthermore, the collective control exercised by the general managers withstood external and internal challenges to the resultant status quo, as well as exercising a conservative influence capable of holding innovation in check. The trauma of the City of Glasgow failure was also a factor; afterwards every bank adopted an approach to asset management that favoured liquidity over risk. The banks as a result grew slowly relative to the British economy, while in England a process of merger and acquisition comparable to what occurred in Scotland in the first half of the nineteenth century took place, but was carried much further. The resultant giant English banks subsequently became another conservative influence on banking in Scotland.

Between the wars Scottish banking entered a third phase. It continued to be dominated by a static number of well-run, stable and substantial organisations whose structure and cautious approach to asset management, which saw increased lending to government during the war continue thereafter, confer on each one the capacity to withstand the vagaries of a troubled Scottish economy. Indeed, on a balance sheet basis the banks thrived compared to other established sectors in the Scottish economy. At the same time there was an element of frustration, with limited opportunities to undertake acceptable forms of lending to be sure, but also with the continued commitment to collective agreement. Driving this was an apparent concern with scale made tangible by the English affiliations that occurred immediately after the War. The subsequent pursuit of scale saw the remaining independent banks regain a degree of individuality. Besides the

common strategy of opening more branches, which Commercial Bank undertook on an unprecedented scale, Bank of Scotland made repeated attempts to merge with other Scottish banks, Union Bank struggled to introduce new services, while Royal Bank acquired three English concerns. However, in other respects when change occurred, it did so gradually, as with the introduction of savings accounts, and incrementally, for example, the modest experiments made with advertising. Consequently every bank grew larger, but in Scotland they remained much the same organisations in 1939 as they had been in 1918 or 1878 for that matter.

One final transition, which commenced before 1918, concerned the conduct and nature of Scotland's bankers. The growing complexity of bank organisations and the business of banking saw every bank confine the recruitment of chief executives to its own staff. In the branches too a similar transition occurred as part-time agents gave way to full-time staff. Here, however, additional factors featured. The new breed of agents offered the banks a safe, controllable pair of hands in keeping with the emphasis on branches as primarily functioning to gather deposits.

Within this overall account the history of the Royal Bank of Scotland was examined to establish that as an organisation it can be considered representative of Scottish banking as a whole. In addition, this allowed various events detailed in the preceding chapter to be considered in more detail, while illustrating the conduct of management and how this was a crucial determinant of organisational form and performance. In broad terms the development of Royal Bank conformed to the three phases set out above, moving rapidly towards a common model, which was subsequently conformed with, then departed from in key respects between the wars.

During the first phase Royal Bank was transformed by the adoption of joint-stock banking. This was largely the work of Lawrence Robertson who rapidly built a branch network, then oversaw the

necessary adaptation of the head office using the remains of the Western Bank - its branches, agents and key head office staff - to make Royal Bank Scotland's largest bank on a balance sheet basis. In doing so Robertson overcame the reticence of the board to make the Cashier an official possessed of executive powers subsequently utilised by James Fleming when he completed the organisation of the nineteenth century bank by successfully opening a London office in 1874.

The second phase saw Royal Bank conform to the collectively agreed conservatism that affected every Scottish bank. Its uniqueness during this period largely derived from a distinctive Edinburgh identity, which left it operating at an increasing remove from trade and industry in the west of Scotland, then the main driver of the Scottish economy. Instead much of the new business taken on involved lending in London, to the financial sector in Edinburgh and eventually, following a number of key managerial appointments, to those engaged in speculative financial activities in Glasgow. Despite these areas of growth Royal Bank fared relatively badly and for much of this period Scotland's second bank held the fourth largest share of Scottish bank assets and liabilities.

During the final phase Royal Bank regained its position as Scotland's premier bank. Growth began immediately after the war with more intensive use made of an expanding Scottish branch network. However, this pursuit of deposits necessitated finding additional lending outlets. This need undoubtedly encouraged the unique policy of acquiring and affiliating with English banks, a strategy facilitated by the Bank's independent Scottish status, the earlier difficulties experienced in lending in Glasgow and the close links the Cashier formed with leading financial figures. Nevertheless, in Scotland the organisation of the Bank and the services provided remained indistinguishable from every other Scottish bank.

Employment was considered in chapter 4. It was shown that what economists define as an Internal Labour Market (ILM) was put in

place at Royal Bank during the third quarter of the nineteenth century. Use was made of competing theories drawn from economics to account for this development. To begin with in key respects the account of banking set out in chapters 2 and 3 was identified as being in keeping with the outlines given by Williamson and Kanter of the type of organisations where ILMs occur; banks were substantial, stable organisations that operated with the capacity to shift resources from more to less profitable activities in response to demand. In addition, their structure and approach to asset management served to insulate them from the vagaries of the Scottish economy, while the collective establishment of effective controls over interest rates contained the potentially destabilising consequences of unrestricted price competition. Thus, banks were in a position to offer long-term employment, while the absence of any dramatic or rapid changes to their organisations or services meant the quantity and quality of labour demanded remained stable.

Again the development of an ILM at Royal Bank was identified as a cumulative process that occurred over three phases and can best be understood as a consequence of several factors. First, it was shown that throughout the first half of the nineteenth century staff were typically recruited as apprentices from a pool of youths already connected to the Bank as the friends and relatives of staff, shareholders, customers and directors. Employment was frequently long-term; in some instances lasting an entire working life during which staff participated in what was described as a benevolent autocracy wherein they received a range of paternalistic benefits. In keeping with Williamson's transaction cost approach it was argued that this regime served routine business objectives. In circumstances where monitoring was expensive, time consuming and imperfect, and opportunistic behaviour costly, a range of benefits were used to elicit loyal and faithful service, which can best be understood in general terms. This paternalism was accompanied by rules governing the economic lives of staff intended to prevent them

from being tempted to steal or otherwise be distracted from their duties. These rules were also influenced by the social expectations of customers, senior officials and directors. Prospective rewards - incremental salary scales and promotion - were introduced to give staff an incentive to stay at minimal cost during a period when the labour market favoured sellers over buyers and the scope for offering immediate benefits was constrained by the effects of unrestricted competition on bank profits. It was argued that prospective rewards remained in place alongside the various paternalistic measures to encourage loyal and faithful service.

The second phase was initiated by the adoption of branch banking, which posed unprecedented problems of control. Due to the limited administrative capacity of head office, employment was left to occur in a head office core and branch network periphery. However, in both locations a switch to internal promotion for a majority of promoted posts completed the ILM. This was due to four factors. Firstly, cost - internal candidates typically received lower initial salaries. Secondly, capacity - the rapid expansion of the branch network gave Royal Bank the ability to meet its staffing needs internally. Thirdly, preference - the proven loyalty of existing staff. And fourthly, the explicit and influential attachment of staff to seniority in the allocation of salaries and promotions. In addition, staff tenure acquired a distinct pattern. While a majority of promoted, long-serving staff stayed a growing number of inexperienced and therefore cheap, apprentices and clerks began passing through the Bank in increasing numbers due to the limited opportunities available in an organisation that possessed ill-defined career structures, a stable, relatively youthful cohort of senior officials, and made continued use of external recruitment to fill promoted posts in the branches.

The final phase began with the appointment of a new Cashier - James Fleming - who transformed employment as part of a broader series of measures intended to minimise cost and maximise efficiency.

Fleming introduced new procedures for recording staff details that allowed careers to be monitored with precision and staffing to be managed with greater ease. These new bureaucratic resources along with the introduction of bank-wide salary scales recreated employment as a system geared to managing hundreds of geographically dispersed staff. More than this they embodied an attempt to secure the Cashier the right to manage staffing matters as he alone saw fit, which required ending the influence of seniority. Instead, managerial estimates of ability would provide the sole criteria on which allocative decisions were based. Securing this discretion freed up prospective rewards to be used to encourage individual effort. All this entailed transforming the culture of the Bank, which involved making the entire staff part of an enhanced benevolent regime. In so doing the *staff* came into being as an abstract, collective whole, replacing the individuals that had previously received the Cashier and the board's personal attention. At the same time the *staff* was made subject to a new, more authoritarian discipline grounded in routine assessment and epitomised by the shift from expecting to assuming subordinates would do as they were told without question.

In chapter 5 how staff fared until 1918 was related to the broader issue of clerical living standards, which have generally been viewed in pessimistic terms. This pessimism was assessed using a quantitative analysis of careers during the period 1873 to 1914. Unsurprisingly, it was observed that as the organisation of the Bank grew annual recruitment also increased. However, a key finding was the tenure pattern that emerged during the third quarter of the nineteenth century intensified and a growing majority of recruits left on or shortly after completing an apprenticeship. This saw the careers of those who stayed acquire a particular form; a majority moved around the branch network on a gradual, upward spiral that saw organisational, hierarchical and geographical mobility merging to form careers that typically lasted an entire working life. Approximately half of those who

stayed became agents. Most of the remainder only progressed as far as branch accountant. However, a small number were brought into one of the major offices early on in their careers where they remained to become senior officials charged with managing the entire bank. Although the rate of promotion declined until the 1900s, the likelihood of promotion gradually improved. This improvement in career prospects supports a more optimistic view of clerical living standards.

In addition all staff were incorporated into the Bank's paternalistic regime and began receiving a broadened range of free or subsidised allowances and benefits. These significantly increased the worth of bank employment and disposable incomes of staff. Thus, salaries were only ever part of a more substantial package of rewards. The worth and range of this package increased during the course of each career, as did salaries. Consequently, staff experienced a distinctive life-time earnings curve made up of gradual increases resulting from movement along incremental salary scales and promotion to more highly rewarded positions. This persisted throughout the first two or three decades of each career then flattened out as each subject reached his final career destination. During the last quarter of the nineteenth century falling prices rather than rising wages have been identified as the main cause of improved living standards. Therefore, the earnings curve staff pursued served to enhance their living standards during this period. After 1896 most staff, the exception being those already at the top of their earnings curve, received incremental increases that grew ahead of rising prices. So there is little evidence that any individual cohort experienced a significant decline in its living standards relative to manual workers. However, there were intermittent signs that the rate at which successive earnings curves grew fluctuated and periodically slowed down, trends likely to have left staff more susceptible to inflation in the 1900s.

Besides these particular concerns it was established that career mobility - routine promotion to more highly rewarded positions, plus

progression along clearly defined salary scales - and the monetary worth of the additional benefits staff received, pose a distinctive set of analytical and methodological challenges for any assessment of clerical living standards. When they are not taken into account, then the worth of such employment will tend to be significantly underestimated.

Turning now to what became of those who entered then left a Scottish bank during the course of their working lives before 1914; in chapter 6 it was possible to identify the fact that only a minority remained in Scotland or Britain for that matter. There were few service sector jobs in Scotland and many of these were in the process of acquiring professional barriers to entry. However, this was not the point. The system of employment outlined above was geared to managing and perpetuating a high rate of turnover amongst junior staff, which was used to provide a source of cheap labour to perform the routine tasks that dominated bank work. This made Scottish banking a training ground for other banking systems; a majority of those who entered then left a Scottish bank during the course of their working lives subsequently found employment in banks operating elsewhere in the English speaking world. Scottish staff were initially recruited to assist in founding these other concerns, then became a source of expert labour. The worldwide expansion of joint-stock banking and bank organisations, plus widespread use of discriminatory recruitment and employment policies ensured that there was always a bank somewhere willing to recruit Scottish staff who were pulled overseas by the relatively greater salaries and promotion prospects on offer.

The volume and routine nature of emigration made it intrinsic to the psyche of bank staff. Furthermore, emigration was an intimate part of staff lives and coloured their views of empire. This occurred at an economic, social, political and emotional level. Indeed, for some, the latter was perhaps the most important as emigration and empire were primarily known through distant sons, successful friends and

opportunities foregone in favour of the known and the secure clung to in Scotland. However, it was also argued that the cultural imaginaries of emigration and empire, because they were dominated by praise for emigrants and the countries they went to, by implication entailed a critique of Scottish social and moral conventions. Indeed, this emphasis on praise introduced the idea of a distinctively Scottish culture of emigration. In simplistic terms empire serving as a testing ground for national heroes, rather than, as in England, a dumping ground for criminals and public school wastrels. However, this distinction dissipated towards the end of the century, as empire became a source of British glory. What remained were social distinctions that derived from the character of the emigrants themselves. In banking at least, although the aspirational motives involved were universal, Scottish staff were marked out by their dress, demeanour and accents, but above all by their lesser social origins, while their frequent success overseas supported a belief in Scottish meritocracy.

This history of emigration served to refine the claim that clerks adhered to a belief in society as being meritocratic. Certain Scottish institutions were not perceived as being meritocratic. Instead, meritocratic structures existed elsewhere with those who participated in them the true meritocrats. The history of the Institute of Bankers in Scotland presented in chapter 7 confirmed this interpretation. Professionalisation emerged from the career ambitions of young men intent on achieving success in Scotland. They sought to realise this by forming an Institute that would introduce professional qualifications to allow human capital - gained through a professional education - to be transformed into economic rewards - promotion. Furthermore, the formation of the Institute revealed that bank staff were willing to act collectively to bring meritocratic structures into being. It was founded by an association of bank clerks and drew much of its impetus from what became a sustained critique of existing staff assessment methods as well as the inequalities these were seen to allow. However, the

limited organisational and financial resources of the Institute's original proponents, meant that the professional ideal was almost immediately made over to those already in charge of the banks.

The subsequent history of the Institute illustrates what importance staff attached to status without any economic foundation and education without any financial benefit. The answer is very little. Andrew Kerr claimed that professionalisation was necessary on moral and economic grounds, those who ran the Institute rejected the necessary restrictions over their authority it would entail. Indeed, in its ceremonies and administrative arrangements the Institute served to reinforce existing structures of authority, transforming senior officials into grand, sponsors of the profession. Despite this those charged with managing the banks and the Institute attached little weight to its qualifications, believing character was more important than the cleverness exams measured. Consequently, in the absence of any material rewards a majority of staff ignored the Institute, while those who took its exams regularly complained about their worth. Thus it was necessary to introduce material rewards - the bonus scheme - to secure the success of the Institute, preserve the reputation of Scottish banking and ensure Scottish bank staff remained attractive to alternative employers. Only then, and in the absence of any further concessions, did the Institute secure an eventual majority of new recruits. Even so many of the candidates who came forward only remained attached to the profession for as long as it took to claim the bonus.

However, what began as a grand project did affect some changes. Although character remained key and in career matters the general managers' opinions remained final, some technical knowledge came to be regarded as integral to a successful career. Moreover, at every level the existence of the Institute heightened a sense of banking as a distinct and exclusive occupation. Along side this banking became more meritocratic. The role of influence was self-consciously reduced

and ability, though not necessarily that shown by passing exams, instead became the primary determinant of career success.

Between the wars bank staff established a trade union; the Scottish Bankers Association, another institution intended to influence bank employment in Scotland and the subject of chapter 8. Some historians and social scientists have depicted the limited scope, size and influence of clerical trade unions as being primarily a result of status concerns. Clerks, so this argument goes, were more concerned with status than material rewards and would not associate with any organisation that smacked of the working classes. The account of professionalisation given above revealed this peculiar obsession with status was neither as pressing nor as pervasive as has been supposed, while the history of the SBA introduces a range of other pertinent factors. As Lockwood originally noted the circumstance of bank employment militated against the formation of collective organisations; staff were geographically dispersed over a large area and worked in small units of production. In addition staff regularly moved within and from each bank. All this served to reduce the possibility of forming the links necessary for collective organisation as well as severing those ties that were formed. Furthermore, career mobility and emigration provided the individual with a plausible means of improving his economic position without recourse to collective action. While all this reduced the potential for staff to engage in collective action, the emphasis on, and occasionally vigorous assertion of, hierarchical authority discouraged them from doing so. Nor, given the summary of living standards set out above, was there any pressing need to challenge the status quo. Indeed, the origins of bank trade unionism were located outside the workplace where it began as an expression of a few idealists' firmly held political beliefs, which conflicted with the resolutely practical and apolitical self-image of banking. This also served to undermine the appeal of trade unionism.

Circumstances changed. Rapid wartime then post-war inflation substantially reduced the worth of bank employment. The reluctance of senior officials and directors to respond saw staff turn en masse to trade unionism. This and the eventual threat of strike action forced substantial salary increases. The subsequent tactical failure of trade unionists when confronted by resolute and aggressive opponents left the SBA, following the first abortive strike, at a remove from a carefully constructed legitimate bank culture intended to strengthen the ties between superiors and subordinates and between staff and the banks they worked for. Furthermore, this process of inclusion plus the periodic use of intimidation ensured that trade unionism was regarded as being incompatible with career success. Much the same set of circumstances reoccurred on a smaller scale in the 1930s. As the general managers strove to contain the resultant increase in staffing costs by inducing turnover, freezing or reducing salary scales and moving towards the introduction of mechanisation and cheap female labour, staff acquired a growing list of grievances. At the same time the composition of the banks' staffs had changed. Tenure patterns changed after the war due to the reduced appeal and availability of employment overseas, and within a few years staff were more likely to stay than leave. This greater stability enhanced the capacity of staff to engage in collective action. It also increased the cost of failure; with few alternative sources of employment, most were unwilling to risk salaries and pensions for the less certain benefits of trade union recognition. Consequently, the second attempted strike for recognition also failed before it started, taking with it what remained of the SBA's credibility and the desire for a trade unionism that operated at a remove from the mainstream labour movement.

Turning now to the social identity of those who worked in Scottish banking. In social history postmodernism has served as a useful corrective by drawing attention to previously subordinate identities. Postmodernism and the associated linguistic turn has contributed to the

fall of class and encouraged interest in other ways of knowing². Indeed, as stated in the introduction the category of social identity was deliberately adopted to avoid many of the theoretical and practical difficulties associated with the study of class. Moreover, by its very nature class is outwith the scope of a study focused upon employment within a single occupation. Nevertheless, a singular concern with social identity can imply the desire to replace one over-arching category with another; class by another name as it were. But in a narrowly based study this is less of an issue. More importantly, the lack of identity let alone identities is itself a key issue that derives in part from the fact that those understood to have resided in lower middle class and worked as clerks were typically described by others, not themselves. Hence, the remainder of this conclusion considers this lacunae, seeking to account for something where it has often been assumed there was nothing.

Bank staff participated in what Wright Mills described as a personality market, selling their personality as well as their labour. Much of what contemporary and subsequent observers have described unwittingly records the consequences of this. Christopher Cauldwell, for example, noted that the petite bourgeoisie "has no traditions of its own and it does not adopt those of the workers, which it hates, but those of the bourgeois, which are without virtue for it did not help create them"³. Such an account disregards the possibility that traditions can be appropriated and incorrectly assumes they exist as hermetically sealed entities. Nor was much evidence of hatred found during the course of this thesis. Rather, at most there existed an unchallenged aloofness at least until 1914. Finally, given the ideological importance of, for example, Samuel Smiles who lived much of his early life clinging to the coattails of the bourgeoisie, such an account is simply wrong⁴.

² *ibid.*; P. Joyce (1994)

³ Crossick and Haupt, *op. cit.*, p. 191

⁴ A. Briggs, 'Samuel Smiles and the Gospel of Work', in A. Briggs, (ed), *Victorian People*, (London: Penguin, 1954)

More importantly Cauldwell and others miss the crucial point highlighted by Wright Mills that business demands shaped the public persona of bank staff and of clerks more generally. As much as the great columns adorning bank head offices, the demeanour and dress of those inside impressed upon customers that these were reliable, secure even rather boring institutions. However, to imply that clerks possessed an anterior self of greater authenticity, though appealing is false. How staff behaved at work was part of their social identity, indeed an important part that was intended to influence how others saw and related to them as well as the institutions they worked in. But, it is necessary to recognise much of what this entailed was cultivated, then deployed to meet commercial imperatives. For example, deference was not innate; rather it was something picked up then set aside each working day, allowing an other self to be lived in private.

Even so the public guise adopted by staff was never completely alien from their private selves. The social criteria that informed recruitment as well as the selection opportunities, which emigration subsequently afforded were used to ensure as much as possible that banks were staffed with the right sort of people. This was a matter of personality, attitude and interests as well as social background. Indeed, while the post-bank careers of some individuals record the decision banking was not for them, the subtle selectivity that accompanied emigration was a means of dispensing with those deemed to be not for the banks. Nevertheless, this thesis has shown that selection and personal inclination only went so far.

Banks sold and sell services. The quality and appeal of a service is intimately related to the personal characteristics of its providers. In banking the importance of this relationship was magnified by the prevailing competitive environment, the prominence of the banks in public life and the nature of bank customers. These factors made the identity and character of staff key business concerns and staff were accordingly obliged by various rules to live social, political, cultural and

economic lives that were as inoffensive as possible. Various rulings barred staff from participating in any other form of economic activity, an expression of authority that served to confirm their dependent status. They were also barred from participating in politics, a ruling, which casts new light on Crossick's observation that before 1914 the lower middle class did not play a significant part in the polity (though this of course ignores their importance as voters)⁵.

The position of staff and pressures they were subject to is exemplified by the marriage bar, which forbade male staff from marrying until they had reached a specified salary level (that marriage bars are usually understood solely in relation to women illustrates how little is known about clerical employment). The bar was the outcome of numerous concerns. It ensured that staff would not attempt to raise a family on an income so low they could not afford to live a style of life in keeping with the sensibilities of senior officials or customers. Security was also a factor; the fear was married staff on low salaries would be tempted to steal to support their families. It was also in keeping with careers; single staff with few ties or responsibilities, could more easily move around the networks and had less reason to stay in Scotland. In these ways the marriage bar exemplifies the assumed right of senior officials to intervene in the private and emotional lives of their subordinates in ways that determined key aspects of their social existence. Such interventions shaped how others perceived staff. For instance, Banks suggests that the rise in the age at which clerks married was a consequence of *them* postponing marriage until *they* had reached an acceptable income, whereas here this same behaviour can be explained as a natural consequence of a slow down in promotion rates⁶.

More than this, Young depicts a bourgeoisie intent on standing on the shoulders of those just beneath them, raising themselves up while holding others down. There is something to this, but not enough.

⁵ G. Crossick (1991), pp. 173-174

⁶ J. A Banks, op. cit.

Bank staff functioned as gatekeepers who stood between the great resources of the Scottish banks and customers. This conferred power and granted daily access to the upper echelons of society. It also involved judging the status claimed by more affluent others, scrutinising much of what made up their sense of self and periodically finding it wanting. Indeed, as a rule banking involved taking a greater interest in the quantity than the quality of wealth. Status was all very well, but it was a poor security and no evidence of business acumen. The offence such presumptuousness caused undoubtedly affected how staff were perceived as it entailed rejecting those limits imposed on their social behaviour. Taking these additional factors into consideration allows much of what has been taken to be social analysis to instead be regarded as self-serving, often vitriolic disdain. But again, such accounts cannot be set aside, as they were integral to the making of the social identity of bank staff.

In significant ways then during the nineteenth century more affluent, vocal and powerful others shaped the social identity of bank staff and of clerks more generally. Indeed, the clerk, whether understood as dependent, inoffensive and politely deferential, or officious, small-minded and pretentious, was largely a construct moulded to serve the social and commercial interests of these others, whether this entailed the social aggrandisement of Young's emergent bourgeoisie, or the more immediate commercial imperatives observed in banking. As such "clerk" as a social identity was implicated in the conduct of social relations as an intervention that served to disempower and contain an often-disruptive social presence.

Thus the shaping the subjects of this thesis were subject to was predicated upon the right assumed by others to intervene and impose rules governing their lives outside the workplace. No indication was found in the historical record before the 1930s that these rules or this right were either challenged or even questioned, indicating at the very least that staff accepted them. Areas of tacit agreement supported this

acceptance. A mutual interest in the banks, which all depended upon for employment was one such tacit agreement, which was intensified at Royal Bank between the wars by the introduction of a staff share scheme to coincide with the 200th anniversary of the Bank. More importantly the logic of the rules was accepted as an equitable part of the employment relationship, although in the case of the marriage bar this was partly due to a majority leaving before it had any meaningful effect upon their lives (consequently between the wars the concern with civil liberties derived in part from the change in tenure patterns). Thus, when this reciprocity was absent, as occurred repeatedly after 1917 the authority the functioning of bank organisations depended upon was repeatedly challenged.

However, although staff were moulded to be sure, they also moulded themselves into a form deemed compatible with career success. While this primarily occurred within parameters set by the rules and regulations governing bank employment, it also involved a search for other ways of being known. Indeed, professionalisation was in part a reaction by staff to how others saw them and an attempt at constructing a new, positive identity. The clerks who initiated the Institute of Bankers in Scotland hoped to become bankers and as such rank alongside other professionals. The hoped for transformation did not occur. However, the desire remained and in the run up to the First World War staff began describing themselves as bankmen and bank officials, while simultaneously debating what these new terms meant. These are all signs of creativity; bank staff sought to influence how they were perceived by others and by themselves. They are also evidence of an independent sense of self that remained uncertain, fragile and fragmentary.

The concern with who and what staff were continued between the wars. At the Institute the nature and status of the banker became a recurring subject of debate. Norman Hird and others proposed

applying for a Royal Charter, provoking a debate on the relationship between status and "practical business efficiency"⁷:

"the Council have tried to get from the members who have brought the suggestion a statement of the advantages which are to be expected from such an application if successful. All they succeeded in obtaining, however, is a vague hope that in some way not clearly explained the existence of a Charter would improve the status of the men employed in banks and place them in a position nearer to that occupied by professional men such as doctors and lawyers"⁸.

The critics were right to be sceptical. With the Institute held at a remove from the allocation of labour, banking lacked an autonomous body capable of directly influencing employment matters, which remained very much the prerogative of the general managers. Banking constituted a profession essentially because it had acquired the trappings of one. Apart from this the professional banker remained a relatively private matter, of some importance within banking, but of limited significance outside where customers had little reason to pay attention to the qualifications of those they dealt with.

Outwith the Institute the search for new forms of social description took a novel theoretical turn. There is little sense of banking having been perceived as an industry engaged in manufacturing a product; rather it carefully and politely provided a service. Hence the importation of Marxist terminology from other industrial disputes and its crude use by trade unionists to depict staff as proletariats subject to capitalist exploitation, proved more jarring than it did accurate or

⁷ IOB letter bk. 6, letters dated 6th, 8th & 17th May and 31st Aug. 1918; IOB letter bk. 7 20th Nov. 1919; IOB minute bk. 4, 23rd May 1933 and 14th Apr. 1939. Hird also proposed introducing a more elaborate range of educational activities, making passing as an Associate of the Institute a compulsory condition of employment and ending nominated memberships. These measures, although less radical than the proposal in England to stream staff into managerial and clerical grades on the basis of their exam performance, were all rejected: "the passing of an examination is not necessarily the test for banking efficiency" and "in all the banks there are men holding responsible positions who are not associated with the Institute, and it is felt that the granting of a Degree or Diploma to their fellows might affect adversely the harmony which is well known to exist among Bank men"

⁸ *Memorandum on Proposal for Royal Charter*, in IOB letter bk. 10, March 1939

inspiring⁹. A more qualified socialism underpinned the introduction by trade unionists of the "professional worker". As with Klingender's 1935 account of "clerical labour", professional worker acknowledged as it qualified a shared proletarian status. However, conventional wisdom suggested otherwise. To Brian Aldiss's bank manager father between the wars workers were feckless, lazy, scroungers, what he called "our non-banking friends"¹⁰. Setting aside the pejorative nature of this description it illustrates the acute and persistent sense of difference wherein worker (and labour) denoted a social group no bank staff felt a part of. Again this can be seen in terms of status, yet the economic and cultural experience of bank staff did place them at a remove from those they regarded as workers. Moreover, the promotion that featured in every career typically carried staff to a social world no worker was a part of. Finally, what a professional worker was remained ill defined. The short-lived National Federation of Professional Workers, which offered to give the term an institutional basis, exemplified this. It was founded on the belief that organised labour did not appreciate the particular nature of clerical employment, yet what this was remained unclear.

Other terms were introduced, most obviously capital and labour, that assumed the existence of distinct sides. Yet the acceptance and sharing of interests described above questioned the meaning of such distinctions. So did the careers staff followed as promotion ensured that any lines drawn between managers and men were routinely blurred. This had important ideological consequences. George Bernard Shaw once explained that when he worked as an estate agent's clerk he and

⁹ On the frequently alien nature of Marxist terminology see G. Orwell, "The Road to Wigan Pier Diary", in S. Orwell and I. Angus (eds.), *The Collected Essays, Journalism and Letters of George Orwell Volume I*, (London: Penguin, 1968) p. 201; that an eminent Edwardian critic of Marx, Professor J. Shields Nicolson of Edinburgh University, was responsible for teaching economics to Institute students indicates opposition to Marxism also possessed more substantive intellectual foundations, see E. J. Hobsbawm, *Dr. Marx and the Victorian critics*, in E. J. Hobsbawm (1964), p. 243

¹⁰ quoted in R. McKibbin, "Class and Conventional Wisdom", in R. McKibbin (ed.), *op. cit.*, p. 273

his peers strove to think like managers¹¹. What Shaw gave, as evidence of clerical self-delusion instead appears here an entirely reasonable assumption given the likelihood of promotion identified in chapter 5. Promotion had other consequences; it ensured the attachment of staff to any one position remained transitory. Instead the possibility of realising career ambitions provided a superordinate structure linking the numerous positions staff held. Hence, the deliberate identification of subjects throughout this thesis as staff rather than as clerks or tellers to accommodate the hierarchical movement careers entailed and avoid focusing upon precise positions and grades.

What remained were the banks themselves, indeed, as staff moved within each organisation the banks became one of the few remaining constants in their lives. What many of the other identities devised during the period covered by this thesis had in common was the prospect of detaching or distancing staff from the banks. Yet this was exactly how staff identified themselves. For some this identification focused upon individual banks, so much so it allowed for the construction of collective identities. For example, National Bank staff called themselves the Nationalists. To outsiders the difference between Nationalists and RB men [Royal Bank staff] were imperceptible, but to staff they were real enough to allow inter-bank golf, football and bowling tournaments. The banks themselves formed a significant presence at these events as each dinner organised by staff to celebrate a retirement, promotion or transfer typically beginning with a toast to the appropriate bank. In this way staff found a tacit, but palatable means of acknowledging their economic dependency¹².

More than this, staff as participants in a personality market personified the banks they worked for, especially agents who carefully crafted public personas to attract business. There were some exceptions particularly amongst the substantial minority who stayed in Scotland,

¹¹ quoted in G. Crossick (1977), p. 24

¹² NS/25 Social Club Minutes, 1888-1951

but did not reach management. These included the quiet, grey men employed for "life and good conduct" that Robert Service watched waiting for their pensions before deciding to emigrate (see chapter 6 above). These grey men retreated each night into the privacy of their homes, gardens and local church halls, to all intents and purposes abdicating from the social world¹³. Yet even they shared in the obligation to be as reassuringly inoffensive, dull even, in other words to maintain a public persona that served to engender confidence in and supported the business of the banks. This process was encouraged by the autocratic paternalism practiced in banking, which produced an employment relationship wherein staff were expected and rewarded for subordinating their social selves to their employers. Thus, the social identity of bank staff was defined by and in relation to the great institutions they worked for. In the absence of either plausible or appealing alternatives, the subjects of this thesis became *of* the banks rather than for themselves.

Further study

The economic and social history of clerks, lesser professionals and the lower middle class more generally remains seriously incomplete. As this study has focused on a single example, paying particular attention to the economics and culture of employment, it cannot by itself do more than begin to address this omission, while the broader applicability of the conclusions reached remains to be ascertained. Therefore we need studies of other forms of clerical employment and other aspects of lower middle class life. In addition certain topics considered in this thesis have significant implications for other areas of historical enquiry.

The history of work in particular, its meaning, content, conditions and rewards remains seriously incomplete. It still retains its

¹³ *Bank Notes*, Feb. 1907

focus on trade unions and manual work within large, heavily capitalised environments, resolutely omitting other forms of work and other locations. To be sure there are, for example, business histories of insurance companies and legislative histories of welfare institutions. But there are few social histories and even fewer labour histories of such organisations. Similarly, studies of employment rarely consider the existence and operation of ILMs, or where and why they were established. Although the well-developed study of employment in railway companies is one exception to this, the subject matter otherwise conforms to the traditional canons of labour history, for instance, the detailed attention already paid to the Triple Alliance formed in 1914 by railway, coalmining and transport workers' trade unions. Given the post-war shift towards non-manual employment and the replacement of the factory by the office as the typical working environment, this focus threatens to render the history of work increasingly antiquarian. Moreover, the need to examine the historical antecedents of current works forms is made even more pressing by the recent and well publicised changes made to office work including downsizing, the ending of jobs for life, homeworking and hot desking. In other words, we need a better understanding of practices that are currently in the process of becoming history.

A particularly Scottish concern is emigration and the empire. The frequent use of geographically defined case studies tends to impose an analytical framework that is self-selecting in its subject matter, focusing more on subjects who stayed than left. While further study of emigration as a macro-phenomenon is needed, case studies would allow a more detailed understanding of the processes involved. Here the use of a single occupation has produced significant results. The study of other occupations and professions either individually or on an inter-occupational and/or Scottish-English basis would make it possible to establish whether the conclusions reached here are of broader applicability. Indeed, it remains to be established whether the close links

between emigration and employment in banking were replicated elsewhere and formed a distinctively routine aspect of Scottish labour market behaviour.

Finally, this historical study has benefited from an inter-disciplinary approach. As the study of white-collar workers and/or the (lower) middle class remains a substantial sociological cottage industry, the historical study of the same group can only encourage greater communication between the two disciplines. Similarly, the frequent emphasis in economics on theory and acceptance of data as a given rather than a phenomenon of interest in its own right, means the historians' study of economic phenomena and use of source criticism can provide a context, encourage further dialogue between the two disciplines and allow detailed empirical analysis. Such relationships are mutually beneficial. By testing and applying theory drawn from other disciplines the historian, while remaining firmly embedded in the analysis of change over time using detailed historical material, is equipped with new questions to ask and new ways of illuminating findings.

Appendix 1: Researching Careers

Introduction

Formal careers, by which I mean careers that involved moving through a succession of related positions ordered in a hierarchy of prestige and authority, were intrinsic to bank employment. From the outset this influenced the methodology used in this thesis, necessitated finding longitudinal data that recorded appropriate career information and devising effective methods of analysing this data. How each of these issues was addressed is discussed below.

Sources

The great strength of longitudinal data is it allows the researcher to examine the movement of historical subjects through the various stages of their life-cycle, understood here in a more narrow sense as a formal career¹. Thus, it becomes possible to consider how historical subjects conceived of and acted in relation to their own past and future. The challenge is to find data that provides enough detail and is of sufficient duration to support this type of analysis.

The substantial bureaucratic organisations that developed in the later nineteenth and early-twentieth centuries provide one source. These include the Scottish banks, substantial, private bureaucracies, that in a number of cases had already achieved a notable degree of longevity by the mid-nineteenth century. Amongst the various banks, the Royal Bank of Scotland archive contains four successive (and accessible) volumes, which succinctly detail the entire Royal Bank careers of full-time, non-manual staff. The form and range of data is the same in each book; half page entries record the name of each subject

¹ For an account sensitive to life-cycles and there effects see R. J. Morris, "The Middle Class and the Property Cycle during the Industrial Revolution" in T. C. Smout (ed), *The Search for Wealth and Stability: Essays in Economic and Social History presented to M. W. Flinn*, (London: Macmillan, 1979)

and either directly or indirectly enable their year of birth to be identified. Thereafter the positions they held and offices they worked in are listed, as is the year each position was taken up. In addition when staff began receiving specific salary levels is detailed along with any other allowances they received. This data makes it possible to consider the organisational, geographical and salary careers staff experienced.

Database design and construction

Computers were early on identified as an appropriate research tool due to the volume of data and the fact it was presented in a standardised form, as well as the type of analysis to be undertaken. Database software was used as it provides an effective means of analysing the combination of numerical and nominal data contained in the staff books. The particular package chosen - *Microsoft Foxpro version 2.5, for the Apple Macintosh* - was used to produce a relational database based upon the staff records. This also allowed information drawn from other sources to be readily incorporated into the analysis. In addition data was moved into and out of other packages: *Excel*, to undertake more complex arithmetical procedures than could be readily undertaken using *Foxpro*; and *Cricket Graph*, to produce graphs.

When modeling the database attention was paid to the benefits of Entity Relationship Modeling (ERM). ERM sets out a method of incorporating actual relationships between individuals and organisations into data structures². The major building blocks of the universe under scrutiny are identified as entities that are reproduced as tables, then the relationships between these entities specified and used to provide a basis for linking the various tables. Arguably this is an intuitive approach that renders the eventual database a model of the universe it represents. However, at a pragmatic level it is time-consuming as it involves producing a substantial number of tables.

² J. Bradley, "Relational Database Design and the Reconstruction of the British Medical Profession: Constraints and Strategies", *History and Computing*, 6, (1994), pp. 71 - 84

More theoretically the resultant data model reifies positions, practices and organisations that are themselves analytical subjects. Consequently, Bradley's comment that in a database of doctors constructed in accordance with ERM principles practitioners and positions would require separate tables because positions "have an existence independent from the practitioner", is incompatible with the conception of organisations as the ongoing achievement of agents³. In other words take away the incumbents and the positions cease to exist, while different holders of positions that share the same title can affect how that position was perceived and what it involved.

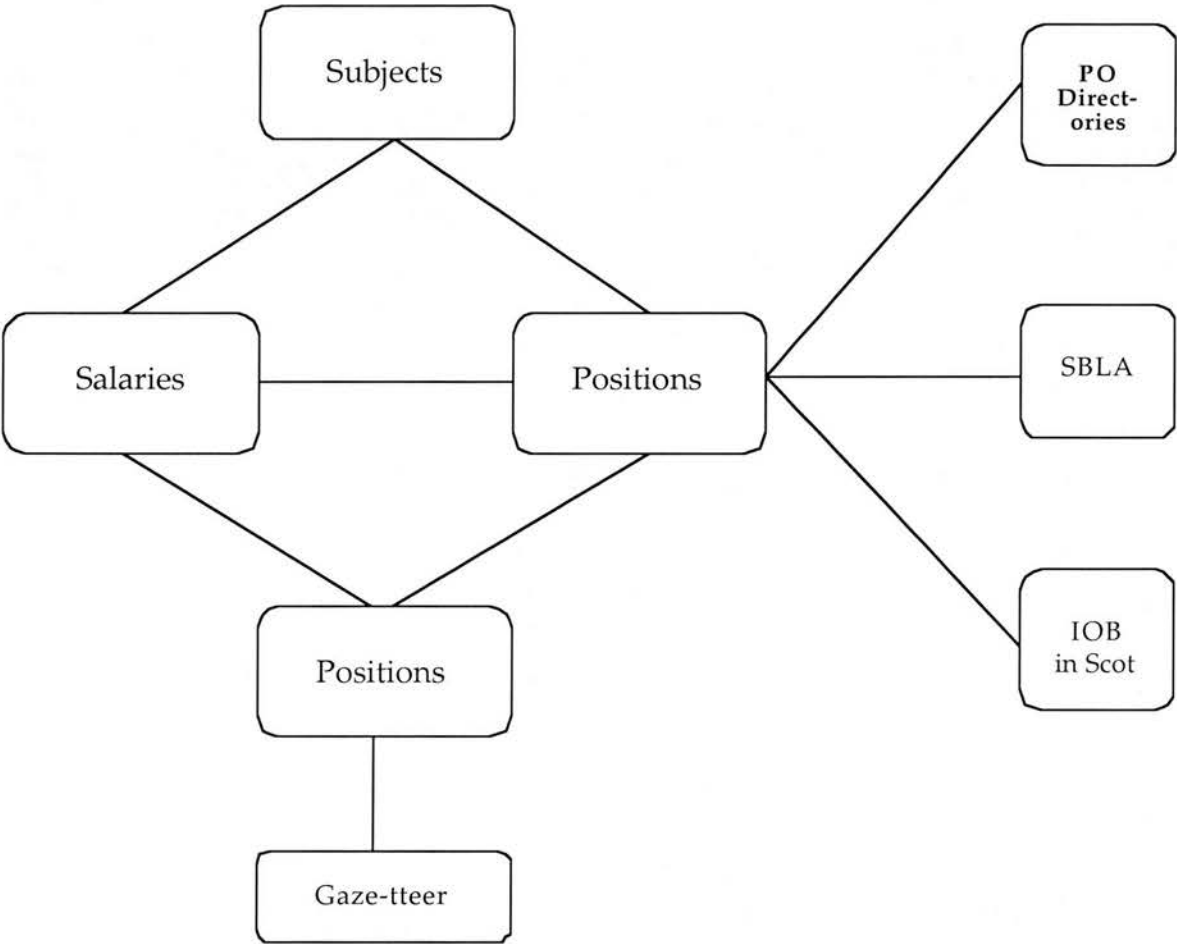
The data structure eventually used is set out in see figure A.1 below. It corresponds to what Bradley describes as a "simple semantic model"⁴ That is it merely reflects the employment relationship (represented by the salaries and positions tables) between the subjects and the Bank (the branches table). This design allowed the benefits of relational database software to be secured; data derived from additional sources and structured in different ways can be readily incorporated by the creation of additional, linked tables⁵. First tables were produced using the staff records, then other information culled from post office directories, the records of the Institute of Bankers in Scotland and the Scottish Bankers Literary Association and a gazetteer (the process of linking this data is described in Appendix 2) was used. This additional information was held in separate tables, thus, its unique origins were preserved in the data structure in tables designed to accommodate the particularities of each source. Additional tables were also compiled containing various coding schemes used to categorise the data to facilitate analysis. Before data entry commenced in earnest the above structure was tested via a pilot study that involved 26 subjects.

³ *ibid.*

⁴ *ibid.*

⁵ D. Greenstein, "Multi-sourced and integrated databases for the prosopographer", in E. Mawdsley et al (eds) *History and Computing III*, (Manchester: Manchester University Press, 1990)

Figure A1 Model of the basic data-structure used in the analysis of careers in the Royal Bank of Scotland



Source Limitations and solutions

Few manual staff (primarily messengers and porters) or part-time agents were included in the staff books. But, as neither of these groups was either numerically large or central to the analysis, their omission was not considered a significant problem. However, there were a number of other more important systematic omissions.

As discussed in chapter 4 the staff records appear to have been established by John Fleming when he became Cashier in 1873. Unfortunately it appears career information is only available for a

minority of staff recruited before 1873 who still worked in the Bank by this date, while those who entered and left before 1873 are not recorded. Therefore, the staff records are a poor guide to careers before 1873. Thereafter it was considered necessary to establish how representative the staff records were (see the discussion of what this entailed in Appendix 2).

Thereafter the available career information is truncated due to various factors. First, there was an apparent tendency to omit the date that staff recruited in the 1890s and 1900s left the Bank. The analysis of career duration undertaken in chapters 5 and 8 sought to accommodate this by using three categories: under 10 years; 10 to 40 years; and over 40 years, instead of precise figures. Although somewhat arbitrary these categories were intended to distinguish between those who left early on in their working lives, those who left during their working lives and those who remained at Royal Bank from adolescence until retirement or death. A leaving date was available for a majority of those placed in the first category, most of whom left within 5 or 6 years of being recruited. As most of the subjects with no leaving data do not appear to have progressed very far up the salary scales or the organisational hierarchy, it was assumed they too left shortly after being recruited and for this reason were placed in the under 10 years category. This judgement was supported by the fact it was not possible to find most of these subjects in additional staff lists compiled independently of the staff books. The probable explanation of this omission is that so many staff passed through the Bank at this time, there was little inclination to maintain a detailed record of their careers. Even so it was possible to be more confident about the assumption that a majority of these subjects left within 10 rather than 6 years of being recruited.

Secondly, the staff records appear to have remained in use until the Royal Bank of Scotland merged with the National-Commercial Bank in 1969. Consequently, it is not possible to identify when staff who were recruited after 1925 and stayed until after 1969 (as appears to have

routinely occurred) actually left the Bank. Because of the probable reasons for this omission where it appeared appropriate these subjects were placed in the over 40 years category. Here, as above, it was apparent that to have done otherwise ran the risk of inducing an unjustifiable systematic bias into the analysis.

Thirdly, another apparent consequence of the reorganisation undertaken by James Fleming was the removal of information about careers spent in head office from the bank records. Consequently, very little information is available on employment at head office after 1873. This created three possible problems concerning staff who spent their entire careers at head office, staff who entered at head office then moved into the branch network and staff who moved to head office from the branch network. As recruitment appears to have become confined to the branches before 1873 the first two problems do not appear to be significant. The third was overcome by linking the staff records to information on senior officials contained in the Edinburgh Post Office Directories. This additional source did not provide information about those that went to head office, but did not become a senior official. However, by default it can be assumed they remained clerks.

The staff records understandably provide the greatest amount of information on those who spent their entire working lives as Royal Bank staff. This has the potential overemphasise continuity and stability. This was significant because before 1914 the attachment of most of the subjects to Scottish bank employment was only transitory. Moreover, the two distinctive types of career that emerged and were identified in chapter 5 were closely related to one another. The solution to this discussed in chapter 6 was to undertake a complementary analysis of data derived from the records of the Institute of Bankers in Scotland and Aberdeen Grammar School on subjects who entered then left Scottish banking. This enabled the relationship between Scottish bank employment and emigration to be considered.

Finally, the framework to be adopted when analysing longitudinal data posed a number of further challenges. At its most basic the choice is one of emphasis, whether to adopt a chronological or cohort-based perspective. This can be illustrated by considering the assessment of promotion rates. Savage argues a slow down in promotion rates contributed to the rise of bank trade unionism before 1914. He found that 37 per cent of those who entered Lloyds Bank during the period 1890 to 1901 were promoted within 22 years, whereas for those who entered during the period 1902 to 1913 this fell to 15 per cent. This perspective focuses upon the experience of distinct entry cohorts and refers to events that possibly overlapped during a period extending from 1890 to 1941. This is arguably too broad a period to relate directly to more chronologically precise behavioural information. Instead, here the length of time taken by staff to be promoted during specific periods was measured as this was considered a more meaningful guide, particularly when considering the likely relationship between promotion and staff turnover. Moreover, as a majority of staff emigrated within a few years of entering the bank, they were only able to use those promotions that occurred during this window of opportunity to assess the rate of promotion. However, the ideal solution is to select whichever perspective can be judged more appropriate to the issues under consideration.

Conclusion

This appendix has described the main source used in this research - the staff books of the Royal Bank of Scotland - as part of a broader discussion of longitudinal research. The pragmatic approach to exploiting this data using information technology was then set out; primarily the creation of a relational database. For pragmatic and theoretical reasons the key concern when developing a data structure was to ensure additional information derived from other sources could be readily incorporated into the analysis.

Issues encountered in using this data were then considered. In part these derived from the traditional historian's task of source criticism, examining how, why and when the staff records were produced, and what implications this has for their accuracy and use. Then longitudinal data was identified as posing a distinct set of analytical challenges, particularly when considering what perspective to adopt, which it was argued can only be resolved in relation to the questions being considered.

Appendix 2: Record Linkage

Introduction

The core of this thesis is the simple statistical analysis of career information contained in the staff books of the Royal Bank of Scotland. Initially record linkage was considered unnecessary; the staff books by themselves would suffice. However, record linkage was used: to supplement and enhance the data these contained in three ways: first, to ascertain the reliability of the staff books; second, to provide an alternative source of career information; and third, to enrich the information contained in the staff books so as to support additional lines of enquiry. The additional data this involved was derived from other Royal Bank records, Institute of Bankers in Scotland records and the Edinburgh Post Office Directory. The following sections outlines the method of record linkage used and details how and why it was used to address a series of methodological and historical issues.

Record Linkage

All historical research involves record linkage, linking together information from independent sources in which individuals are distinguished by name. Following Elkit, record linkage is worthwhile when it is possible to determine when a link can be considered true or false and when linkage can support conclusions that could not otherwise be reached¹. Linkage is subject to two risks: making a false link between information that refers to two or more different individuals; and failing to make a link between information that refers to the same individual. These risks are magnified in prospographical analysis where linkage can involve hundreds, even thousands of individuals.

¹ J. Elkit, Nominal Record Linkage and the Study of Non-Secret Voting: A Danish Case", *Journal of Interdisciplinary History*, (1985)

Mass semi-automatic rule-based linkage refers to a range of computer based techniques devised to link information about many individuals culled from different sources². All involve exploiting the ability of computers to manipulate large amounts of data to speed up the linkage process. This benefit needs to be set against the practical cost of acquiring the necessary skills and software/hardware needed.

Moreover, to quote Adman et al:

"It is our belief that no systematic algorithm, however sophisticated, can perform this task as well as an experienced team of researchers assisted by an appropriate set of software tools"³.

From the outset it was decided that the small number of subjects involved did not warrant the above costs. Instead computer use was limited to sorting and selecting candidates for linkage.

Rules about when to accept or reject a link are central to record linkage. Morris explains rules merely formalise judgements based upon the historian's appraisal of the sources and appreciation of the social, administrative and political processes their production involved⁴. Moreover, the apparent facticity of rules when incorporated into computer based procedures threatens to obscure their expert, but ultimately subjective origins. In addition, rules tend to be closely linked to the kinds of data at hand and the range of question for which they were designed⁵. However, the rigidity of rules can overcome the frequently partial nature of judgements made on an ongoing basis.

But, issues arise when information other than names is used to assess the validity of a link. Criteria central to the purposes of an enquiry cannot be involved in this process as this may induce systematic bias. For instance, it would be reasonable to assume an agent called John Smith included in one list was the same John Smith listed as

² See the variety of approaches outlined in the record linkage issue of the journal *History and Computing*, 4, (1992)

³ P. Adman et al, "Computer-Assisted Record Linkage: Or How Best to Optimize Links Without Generating Errors", *History and Computing*, 4, (1992), p. 2

⁴ R. J. Morris (1994), p. 301

⁵ *ibid.* p. 3

an agent in a later source on the basis of their shared name and status. However, this would incorporate assumptions about job stability into the linkage process, inducing an element of systematic bias. And yet the use of names in isolation may not be sufficient. The tendency in banking to confine recruitment to those already connected to each bank and their kin. Thus, false links could be made, for example, between fathers and their sons. For this reason additional information was cautiously used when necessary to allow the maximum number of links to be made.

The actual linkage process involved compiling lists of candidates, then establishing links on the basis of names, while bearing in mind various contextual factors. In general where there was more than one candidate for a link additional information was used, primarily age data, for instance, staff did not get younger over time. In addition the timing of certain career events was also used. For example, it was only possible to be an apprentice once. Neither of these additional criteria was considered capable of inducing any significant distortions due to their nature and restricted use.

The uses of record linkage

(a) Reliability

The previous appendix outlined how the staff books were introduced in 1873 and only contains information on a minority of those who worked in the Bank at this time. Indeed, even after 1873 it is difficult to reconcile the small number of staff recorded as working in the Bank with the substantial number listed in an establishment book. Therefore record linkage was used to establish what proportion of staff recorded in the staff books were also listed in successive establishment books. This provided a means of assessing how representative the staff books were.

Table A2.1. *The results of linking successive establishment books to the staff books*

Establishment Books	(A)*	(B)**	(C)***	(C) as a % of (B)
1858 - 1862	279	270	33	12 %
1869 - 1872	575	198	198	39 "
1887 - 1888	556	419	419	78 "
1899	611	611	539	89 "

* The number of entries in each establishment book

** The number of individuals in each establishment book after linkage

*** The number of individuals in the staff books linked to each establishment book

The first step was to link individuals recorded more than once in the same establishment book. This was necessary because each book was maintained for a number of years, making it possible for the same individual to appear more than once as he moved between branches and positions. Linkage also allowed the number of staff who worked in the Bank at a given moment in time to be identified. The four establishment books contained 2021 entries. After linking the entries within each establishment book it was estimated these represented 1927 individuals (see table A2.1 above). The second step was to link the staff books to the establishment books. Of the 1,199 individuals identified in the establishment books and linked to the staff records, 803 (67 per cent) were linked on the basis of their name. The remainder was linked using name, age and career data.

The small number of linkages made between the first two establishment books and the staff books indicate the latter have limited worth as a source of representative career information before the mid-1880s. Reassuringly the coverage of the staff books improves dramatically thereafter. Moreover, even though the staff books do not provide a complete guide, this is less significant than it appears. For instance, two thirds of the 130 agents recorded in the third establishment book could not be linked to the staff books. The most likely explanation is that they were part-time agents and therefore incidental to the aims of this thesis, moreover their career paths (they were recruited as agents, remained attached to a single branch, then

retired) is straightforward. Thus, by the 1880s the staff books can be considered a highly representative source of information on the careers of full-time non-manual staff.

(b) Alternative career information

Close inspection revealed the staff books possessed certain limitations record linkage was used to overcome. Linking lists of head office staff contained in bank minutes to establishment books was used to generate approximate measures of staff turnover during the third quarter of the nineteenth century (see chapter 4 above). It was also possible to identify how many staff were employed at certain points in time and how branch staff were distributed across the various ranks of the bank hierarchy.

(c) Enriching the analysis

Finally, the staff records were linked to data derived from the records of the Institute of Bankers in Scotland and the Scottish bankers Literary Association. This made it possible to identify who joined these organisations and at what point in their careers, information central to the analysis of bank professionalisation in chapter 7.

The surviving minute books of the SBLA included annual membership lists. The 1872 and 1875 lists were linked to the second Royal Bank establishment book on the basis of the names they contained. In this way it was possible to identify 14 Royal Bank staff who were members of the SBLA in 1872, of which 11 were still members in 1875. A further 6 Royal Bank staff who were SBLA members were identified using the 1875 list. The career details of these subjects were summarised in chapter 7. This summary was based upon the following information – Every subject worked at the Royal Bank head office, 11 had moved there from another office and by the time of their first appearance in the SBLA membership lists they had worked for an (median) average of 10 years in the Bank. All this indicates clerks

in their late twenties and early thirties who had moved to Edinburgh to work in the head offices of the banks dominated the membership of the SBLA in the 1870s.

Table A2.2. *The proportion of Royal Bank recruits listed in the staff books who passed an examination set by the Institute of Bankers in Scotland, 1876 - 1898*

Entry Period	% who passed any Institute exam	Total no. of Royal bank recruits
1876 - 1880	8 %	189
1881 - 1885	6 "	173
1886 - 1890	27 "	191
1891 - 1895	32 "	172
1896 - 1898	35 "	152

Table A2.3 (a). *The average time taken from entering the Royal Bank of Scotland to passing as an Associate of the Institute of Bankers in Scotland (in years)*

Entry Period	(Partial Associate)		(Associate)	
	Median time taken	No. of examples	Median time taken	No. of examples
1876 - 1880	6 years	9	4 years	10
1881 - 1885	6 "	7	7 "	6
1886 - 1890	2 "	46	4 "	31
1891 - 1895	2 "	49	3 "	33
1896 - 1898	2 "	47	2 "	18

Table A2.3 (b). *The average time taken from entering the Royal Bank of Scotland to passing as a Member of the Institute of Bankers in Scotland (in years)*

Entry Period	(Partial member)		(member)	
	Median time taken	No. of examples	Median time taken	No. of examples
1876 - 1880	4 years	3	8 years	5
1881 - 1885	8 "	2	11 "	5
1886 - 1890	8 "	2	6 "	14
1891 - 1895	4 "	8	4.5 "	8
1896 - 1898	3 "	1	4 "	3

A similar approach was taken to linking the staff records to the records of the Institute of Bankers in Scotland. Lists of all those who passed any part of the Institute's two qualifications were included in the *Scottish Banking and Insurance Magazine* and the *Annual Reports of the Institute of Bankers in Scotland*. Although more staff sat the exams than passed them, over 90 percent of the candidates passed at least a single exam, therefore the pass lists can be considered reasonably representative of all candidates⁶. As it was possible for the same individual to appear in successive lists as a partial associate, associate, partial member, and then member, it was necessary to link these occurrences to produce individual subjects, which were then linked to the staff books. Of the links made between the exam results and the 184 staff recorded as entering the Bank during the period 1876 to 1898, 68 per cent were on the basis of their names, 23 percent involved branch data and the remaining 9 per cent branch and career data. All this made it possible to identify the proportion of Royal Bank recruits who took an interest in the Institute and at what point in their careers they did so. The data presented in tables A2.2, A2.3 (a) and A2.3 (b) above indicate that until the 1890s only a small minority of recruits took either exam, and the introduction of the bonus encouraged an increasing number of younger, less experienced recruits to come forward.

Conclusion

This appendix has surveyed the use made of record linkage in this thesis. For pragmatic reasons an essentially manual approach was adopted. To minimise bias, links were primarily made on the basis of name data, although other criteria were taken cautiously into account where it was deemed appropriate to maximise linkage, while minimising any possible causes of systematic bias.

⁶ This figure derives from a comparison of the number of candidates recorded in each annual report with the number of candidates listed as passing any part of either qualification

The resultant dataset was then used to address a range of methodological and historical issues. First, it was used to assess the reliability of the staff records. Second, it was used to generate additional quantitative measures of staffing before 1873. Third, linking staff records to Institute and SBLA records was used to consider the relationship between careers and professionalisation.

Appendix 3: Oral History

Introduction¹

Bank records conform to the general rule that most historical sources contain more information on the affluent and influential than about average or low-status individuals. It was possible to construct an approximate account of the view from head office using minute books and the correspondence of senior officials, while the use of branch records - agent letter books, gave an insight into the view from the agent's office. However, non-managerial staff rarely featured in either location other than as a cost or as an object to be acted upon and with. Thus, oral history was identified as a means of producing a more rounded account of bank employment.

Indeed, it was originally intended to make substantial use of oral history. But resource limitations meant that only one subject was located and interviewed. The subject had begun working for the Royal Bank in Greenock in 1926 aged 26, and eventually became an agent in the small town of Drymen. A number of semi-structured interviews were conducted (the resultant tape recordings are currently held by the author), which addressed themes central to this thesis. The intervals between the interviews were used to refine this approach, clarify further lines of enquiry and check to see the original questions had been addressed. The entire process was assisted by the written biographical details the subject voluntarily produced. The interviews provided a range of facts, stories and impressions. The following discussion illustrates the value of each of these and how they were used.

Facts

This refers to the biographical details the subject provided along with the intricate details of bank work. The former established the credentials of the subject as well as indicating what issues he was in a position to discuss. The latter gave an insight into the nature of bank work, filling in the gaps as it were between formal written descriptions and rules and actual routines. For instance, the author learnt that even in the 1930s not all branches had typewriters and instead remained reliant on hand-written letters, blotting paper and letterpresses. Neither biographical details nor descriptions of routine work processes need be considered particularly untrustworthy.

Stories

Stories refer to those specific incidents the subjects described in some detail. The questions these prompted were deliberately left open ended to allow the subject to provide as much detail as he wished without being unduly led.

The material this produced was highly particular, influenced by hindsight and chronologically and geographically imprecise. And yet this form of material was the most valuable. The story concerning the bag-wielding customer described in chapter 7 epitomised the social milieux and attendant pressures the subjects lived within and was subject to. Whereas the subject was too afraid to fire back the bag, the clerk who did was the son of an affluent businessmen, which lent him the self-confidence and financial security to retaliate. Thus, the unique perspective of the subject gave precise access to broader structures, in this instance illustrating how the background and wealth of staff influenced their behaviour in the workplace.

¹ For a discussion of the methodology and uses of oral history see P. Thompson, *The Voice of the past: oral history*, 2nd ed., (Oxford: Oxford University Press, 1988)

Impressions

Certain events were of particular importance to the subject. Indeed, much of what was gained from the interview derived from the manner and bearing of the subject when he answered questions about these issues. Consequently, the oral evidence was accompanied by impressions that derived from the interview process itself. Despite these proving to be transitory and unrecorded, they were also important.

It was possible to develop a more nuanced understanding of the culture of bank employment. A discussion of politics was particularly instructive. The subject proved adept at not giving any clear indication of what his own political preferences were. While drawing attention to the fact he read a newspaper traditionally associated with the Conservative Party, he also emphasised the fact his father was a strong Liberal Party supporter. Such inconclusiveness substantiated the apolitical stance of the professional banker, illustrating the outcome of that advice regularly given in the *Scottish Bankers Magazine* to avoid any overt form of political commitment.

Thus, those emotions and attitudes thrown up during the course of the interview produced a range of meanings unlikely to be found in any written record. This had the general effect of enhancing the author's appreciation of the written record. In addition the opportunity to observe the behaviour of the subject produced significant new lines of enquiry. The most important concerned the manner in which he responded to a letter sent on my behalf by the archive section of the Royal Bank of Scotland. More important than the fact that this confirmed I was a bona fide researcher, to the subject the origins of the letter - it was sent from the former head office - made it a significant event. During the interviews the letter was periodically brandished by the subject, then read closely. This near militaristic display of obedience - the subject's back often straightened as he read the letter, gave rise to questions concerning how head office was perceived by branch staff as well as related to. Again impressions gained from interviewing one

subject provide a unique and therefore atypical view. Nevertheless it constitutes a beginning rather than an end, which opened up new lines of enquiry that might otherwise have been ignored.

Conclusion

Limited use was made of oral history due to resource limitations. However, the interview that was undertaken proved to be a valuable heuristic device that provided an otherwise unobtainable set of facts, stories and impressions. Oral history remains subject to problems of representativeness and the imperfections of memory, here perhaps to an exaggerated degree due to its limited use. However, viewed from a different perspective the uniqueness of the subject proved to be significant, it gave focused access to patterns of behaviour and social pressures that can be judged to be of broader applicability. Moreover, oral history formed only one research methodology that produced findings and raised issues it was possible to then explore in other ways

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